COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 437, Los Angeles, California 90012
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KEITH KNOX
ACTING TREASURER AND TAX COLLECTOR

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

1-F July 30, 2019

CELIA ZAVALA
EXECUTIVE OFFICER

July 30, 2019

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

The Honorable Board of Directors
Los Angeles County Public Works
Financing Authority
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

ISSUANCE AND SALE OF
LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
LEASE REVENUE BONDS, 2019 SERIES E
(ALL DISTRICTS) (4 VOTES)

SUBJECT

The Treasurer and Tax Collector (the "Treasurer") is requesting authorization to issue the Los Angeles County Public Works Financing Authority (the "Authority") Lease Revenue Bonds, 2019 Series E (the "2019 Series E Bonds"), in an aggregate amount not to exceed $325 million. The proceeds from the sale of the 2019 Series E Bonds will be used to refinance outstanding lease revenue commercial paper notes (the "Notes") issued to finance the construction and capital improvements to the East Antelope Valley Animal Care Center, Martin Luther King Jr. Medical Campus Parking Structure, Rancho Los Amigos National Rehabilitation Center, Fire Station 143, Music Center Plaza Improvement Project, and the Los Angeles County Probation Department Building Renovation (collectively, the "Projects").

IT IS RECOMMENDED THAT THE BOARD:

1. Adopt the resolution authorizing: a) the issuance and sale of the 2019 Series E Bonds on a tax-exempt basis with a not to exceed par amount of $325 million to refinance outstanding Notes that were issued to fund the construction and capital improvements to the Projects; and b) the execution and delivery of various legal documents required to issue the 2019 Series E Bonds and complete the proposed transaction.

2. Ratify the public hearing related to the issuance of the 2019 Series E Bonds held by the Treasurer on July 24, 2019 in accordance with Section 6586.5 of the California Government Code.

3. Ratify the public hearing related to the issuance of the 2019 Series E Bonds held by the Treasurer on July 24, 2019 in accordance with Section 147(f) of the United States Federal Government Internal Revenue Code of 1986.

IT IS RECOMMENDED THAT YOUR BOARD, ACTING AS THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY:

1. Adopt the resolution authorizing: a) the issuance and sale of the 2019 Series E Bonds on a tax-exempt basis with a not to exceed par amount of $325 million to refinance outstanding Notes that were issued to fund the construction and capital improvements to the Projects; and b) the execution and delivery of various legal documents required to issue the 2019 Series E Bonds and complete the proposed transaction.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the above recommendations will authorize the issuance of the 2019 Series E Bonds and the execution and delivery of all related documents. The proceeds from the sale of the 2019 Series E Bonds will be used to refinance approximately $319 million of outstanding Notes issued by the Los Angeles Capital Asset Leasing Corporation (LACCAL) that were used as the initial funding vehicle for the construction and capital improvements to the Projects.

The refinancing of the Notes with proceeds from the issuance of long-term bonds is an important component of the County's ongoing capital financing strategy. The $600 million LACCAL Lease Revenue Note Program (the "Note Program") is a flexible and cost-effective short-term financing program utilized by the County to provide the initial funding for capital projects. The County currently has approximately $562 million of Notes outstanding under the Note Program. With the refinancing of approximately $319 million of Notes with the issuance of the 2019 Series E Bonds, the County will free up capacity in the Note Program, resulting in $357 million available to fund new capital projects. The issuance of the 2019 Series E Bonds enables the County to allocate the long-term debt service cost of the Projects over the estimated useful life of the capital facilities.

The Projects
A summary description of the Projects is provided below:

East Antelope Valley Animal Care Center Project

The East Antelope Valley Animal Care Center is located on a 5.94-acre County-owned property located in Palmdale that was constructed in 2016. The new Animal Care Center is a 25,889 square-feet indoor facility, which includes a public entry lobby; space for public adoption and animal relinquishment, control, quarantine, and euthanasia; a veterinary and spay/neuter clinic; and staff and administration areas.

Martin Luther King Jr. Medical Campus Parking Structure

The Martin Luther King Jr. Medical Campus Parking Structure is a six-level parking structure located at 12021 South Wilmington Avenue on the southeast corner of the Martin Luther King Jr. Medical Campus that occupies approximately 452,471 square-feet of gross building area, with 1,400 parking spaces to accommodate the parking needs of the medical campus.

Rancho Los Amigos National Rehabilitation Center - North Campus

The North Campus of Rancho National Rehabilitation Center is located on a 49.07-acre property at 7601 East Imperial Highway in the City of Downey. The newly constructed improvements consist of an extension of the pre-existing Jacquelin Perry Institute (JPI) building, an expansion of the pre-existing parking structure, a new outpatient facility building, a new warehouse, and the Don Knabe Wellness Center building which includes patient fitness areas; a gymnasium with accessible equipment for self-directed exercises and classes; and a pool for aquatic therapy.

Fire Station 143

Fire Station 143 is a new 9,700 square-foot fire station completed in 2016 that is located on a 1.1-acre County-owned property in Valencia. The facility provides improved fire protection, emergency medical, and life safety services to the Santa Clarita Valley. The facility consists of a two-bay apparatus room, main office, day room, kitchen, exercise room, and dormitory quarters for seven personnel.

Probation Department Building Renovation

The Probation Department Building is located on a 0.70-acre property at 3965 South Vermont Avenue in the City of Los Angeles and consists of a three-story office building with approximately 60,060 square-feet of office space and a four-story parking structure with rooftop parking. The building, which was originally constructed in 1965, has undergone a substantial renovation that was completed in 2018. The renovated Probation Department Building provides office space for the Probation Department’s Juvenile and Adult Services operations, as well as other County departments. The building serves as a one-stop community re-entry center that provides rehabilitation and re-entry services and aid to adult probationers.

Music Center Plaza Improvement Project

The Music Center Plaza is located at 135 N. Grand Avenue in the City of Los Angeles. The Music Center Plaza Improvement Project includes the following components:
1) level and refinish the Music Center Plaza surface to align with the Dorothy Chandler Pavilion and Mark Taper Forum; 2) reconstruct the existing Grand Avenue staircase with a more narrow staircase flanked on both sides by donor panels and escalators;
3) relocate the 50-foot-tall “Peace on Earth” Lipchitz sculpture in the center of the Music Center Plaza towards Hope Street; and 4) reconfigure the existing food, beverage, and information facilities around the Music Center Plaza by creating four new, permanent structures, and adding new public restrooms to replace the existing restroom trailer.

The estimated asset value of the Projects and the total cost funded through the Note Program is detailed below:

Project	Estimated Asset Value	Cost Funded
• East Antelope Valley Animal Care Center:	$19,125,000	$17,071,000
• Martin Luther King Jr. Medical Campus Parking Structure	$42,200,000	$40,831,000
• Rancho Los Amigos National Rehabilitation Center	$430,000,000	$204,442,000
• Fire Station 143	$10,000,000	$7,407,000
• Probation Department Building Renovation	$36,450,000	$25,999,000
• Music Center Plaza Improvement Project	N/A	$23,000,000
Total	$537,775,000	$318,750,000

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal #III.3: Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability by providing a cost-effective source of financing to fund the capital construction needs of the County.

FISCAL IMPACT/FINANCING

Based on current market conditions, the County expects to issue the 2019 Series E Bonds in an aggregate par amount of approximately $267 million and generate an additional $52 million of proceeds through bond premium. The total proceeds from the issuance of the 2019 Series E Bonds will be used to redeem $319 million of outstanding Notes and to pay the costs of issuance related to the transaction. The 2019 Series E Bonds will include a separate series of 501(c)3 bonds to finance the $40.831 million component of this transaction for the MLK Parking Garage. Since the MLK Hospital is operated by a 501(c)3 entity (MLK-LA), which would be the primary user of the parking facility, the County will need to issue a separate series of bonds to comply with IRS regulations for tax-exempt financings.

Estimated Borrowing Costs

The Resolutions being presented to your Board require the 2019 Series E Bonds to be issued at a true interest cost not to exceed 5.0%. Given the current interest rate environment, the actual borrowing costs should be significantly lower and result in a true interest cost to the County of approximately 3.5%. The Treasurer is recommending that the 2019 Series E Bonds be structured with level debt service payments over a 30-year amortization period commencing in 2020. Based on the County's strong credit profile and current market conditions, the proposed structure will result in average annual debt service payments of approximately $17.2 million, and total debt service of approximately $526.3 million over the 30-year term. The actual interest cost to the County and the debt service payments will depend on market conditions at the time of sale.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The 2019 Series E Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 et seq. of the California Government Code. The County intends to issue the 2019 Series E Bonds through the Authority using a standard lease revenue structure. Under this structure, the County will lease pledged assets to the Authority through a lease agreement, and the Authority will lease the same pledged assets back to the County through a sublease agreement. The 2019 Series E Bonds will be secured by annual base rental payments from the County to the Authority, which are subject to annual appropriation by your Board.

The 2019 Series E Bonds will be issued pursuant to the Master Indenture and Master Lease structure established in February 2015 in connection with the issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2015 Series A (the "2015 Series A Bonds"). The Master Indenture and Master Leases were first amended in August 2015 in connection with the issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series B and 2015 Series C (the "2015 Series B and Series C Refunding Bonds"). The Master Indenture and Master Leases were amended again in March 2016 to support the issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2016 Series D (the "2016 Series D Bonds"). To facilitate the issuance of the 2019 Series E Bonds, the County will execute amendments to the Master Indenture, Master Site Lease and Master Sublease and execute various other financing documents related to the financing.

The amendments to the Master Site Lease and Master Sublease will allow the County to secure the repayment of the 2015 Series A Bonds, 2015 Series B and Series C Refunding Bonds, 2016 Series D Bonds (collectively, the "Prior Bonds"), and the 2019 Series E Bonds without the need to pledge additional assets beyond the nine properties currently pledged as collateral under the Master Lease. The total asset value of the current pledged properties is approximately $919 million, which will be sufficient to cover the debt service on the Prior Bonds and the 2019 Series E Bonds. The nine assets pledged as collateral under the Master Lease include:

- Civic Center Heating & Refrigeration Plant
- Internal Services Department Headquarters
- Manhattan Beach Library
- Zev Yaroslavsky Family Support Center
- Lost Hills Sheriff Station
- LAX Courthouse
- Chatsworth Courthouse
- Michael D. Antonovich Courthouse
- Martin Luther King Jr. Community Hospital

Based on current appraisals of the Projects, the County will have five additional assets with an estimated value of $538 million available to pledge as collateral for future lease revenue bond financings. The Music Center Plaza Improvement Project is a small component of a large performing arts facility operated by the Performing Arts Center of Los Angeles County. There are no plans to pledge this asset for future General Fund bond financings, and therefore; no appraisal was obtained.

Financing Team

Given the relative complexity of a large lease-revenue bond financing, the Treasurer is recommending that the sale of the Bonds be conducted on a negotiated basis. Citigroup Global Markets Inc and J.P. Morgan Securities LLC were selected by the Treasurer from the County's prequalified Underwriter Pool to be the senior managing underwriter and co-senior manager, respectively, with Public Resources Advisory Group appointed as the financial advisor for this transaction. Stradling Yocca Carlson & Rauth was selected by County Counsel to serve as bond counsel.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The issuance and sale of the Bonds will help finance essential capital projects for the County, which will serve to enhance and facilitate the delivery of vital government services.

CONCLUSION

Upon approval of the attached Resolutions, it is requested that the Executive Officer of the Board return two originally executed copies to the Public Finance Office of the Treasurer.

Respectfully submitted,

KEITH KNOX
Acting Treasurer and Tax Collector

KK:JP:KC:BS

Enclosures

c: Chief Executive Officer
Acting Auditor-Controller
County Counsel
Executive Office, Board of Supervisors

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES AUTHORIZING THE EXECUTION AND DELIVERY BY THE COUNTY OF A THIRD AMENDMENT TO MASTER SITE LEASE, A THIRD AMENDMENT TO MASTER SUBLEASE, A FOURTH SUPPLEMENTAL INDENTURE, A BOND PURCHASE AGREEMENT AND A CONTINUING DISCLOSURE CERTIFICATE IN CONNECTION WITH THE ISSUANCE OF LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY LEASE REVENUE BONDS, 2019 SERIES E, APPROVING THE ISSUANCE OF SUCH BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $325,000,000, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION THEREWITH AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS

WHEREAS, the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") has issued its Lease Revenue Obligation Commercial Paper Notes (the "Commercial Paper Notes") from time to time for, among other purposes, the interim financing of all or a portion of the capital improvement projects described on Exhibit A, attached hereto and incorporated herein (the "Project"); and

WHEREAS, the County of Los Angeles (the "County") desires to provide long-term financing for all or a portion of the Project by refinancing all or a portion of the outstanding Commercial Paper Notes with proceeds of lease revenue bonds to be issued by the Los Angeles County Public Works Financing Authority (the "Authority"); and

WHEREAS, the Authority previously issued certain lease revenue bonds (the "Prior Bonds"), pursuant to a Master Indenture, dated as of February 1, 2015, as supplemented by a First Supplemental Indenture, dated as of September 1, 2015, a Second Supplemental Indenture, dated as of March 1, 2016, and a Third Supplemental Indenture, dated as of November 1, 2017 (collectively, the "Master Indenture"), each by and among the Authority, the County and Zions Bankcorporation, National Association (the "Trustee"); and

WHEREAS, in connection with the issuance of the Prior Bonds, the County leased certain real property owned by the County (the "Original Property") to the Authority pursuant to a Master Site Lease, dated as of February 1, 2015, as supplemented by a First Amendment to Master Site Lease, dated as of September 1, 2015, and a Second Amendment to Master Site Lease, dated as of March 1, 2016 (collectively, the "Master Site Lease"), each by and between the County and the Authority; and

WHEREAS, the County subleased the Original Property back from the Authority pursuant to a Master Sublease, dated as of February 1, 2015, as supplemented by a First Amendment to Master Sublease, dated as of September 1, 2015, and a Second Amendment to Master Sublease, dated as of March 1, 2016 (collectively, the "Master Sublease"), each by and between the County and the Authority; and

WHEREAS, the Master Indenture provides that, subject to the conditions set forth therein, the County, the Authority and the Trustee, may by execution of a supplemental indenture, without the consent of the Owners of the Prior Bonds, provide for the issuance of Additional Bonds (as defined in the Master Indenture); and

WHEREAS, the County and the Authority have determined that it would be in the best interests of the County and the Authority to provide the funds necessary to pay all or a portion of the Commercial Paper Notes through the issuance of Additional Bonds designated "Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E" (the "Bonds"); and

WHEREAS, the Master Site Lease provides that the Master Site Lease may be amended only in accordance with the provisions of the Master Sublease; and

WHEREAS, the Master Sublease provides that the Master Sublease and the Master Site Lease and the rights and obligations of the Authority and the County thereunder may be amended at any time by an amendment thereof which shall become binding upon execution by the Authority and the County, without the written consents of any Owners of the Prior Bonds, in order to provide for the issuance of Additional Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire to enter into a Third Amendment to Master Site Lease (the "Third Site Lease Amendment") to provide for the issuance of Additional Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire to enter into a Third Amendment to Master Sublease (the "Third Sublease Amendment") to provide for the issuance of Additional Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire that the Trustee enter into a Fourth Supplemental Indenture (the "Fourth Supplemental Indenture") in order to provide for the issuance of the Bonds and to expressly provide that all rights to receive the Base Rental Payments, including the increased amounts thereof provided for in the Third Sublease Amendment, have been assigned without recourse by the Authority to the Trustee; and

WHEREAS, the Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (the "Act"), commencing with Section 6584 of the California Government Code; and

WHEREAS, Citigroup Global Markets Inc., (the "Representative"), on behalf of itself and J.P. Morgan Securities LLC, and such other co-underwriters as may be selected by the Treasurer and Tax Collector of the County and the Treasurer of the Authority prior to the sale of the Bonds (collectively, the "Underwriters"), has submitted to the Authority and the County a proposal to purchase the Bonds in the form of a Bond Purchase Agreement (the "Bond Purchase Agreement"); and

WHEREAS, a form of the Preliminary Official Statement (the "Preliminary Official Statement") to be distributed in connection with the public offering of the Bonds has been prepared; and

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (as amended, "Rule 15c2-12") requires that, in order to be able to purchase or sell the Bonds, the underwriters thereof must have reasonably determined that the County has undertaken in a written agreement or contract for the benefit of the holders of the Bonds to provide disclosure of certain financial information and certain enumerated events on an ongoing basis; and

WHEREAS, in order to cause such requirement to be satisfied, the County desires to execute and deliver a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”); and

WHEREAS, the County is a member of the Authority and the Project is located within the territorial limits and boundaries of the County; and

WHEREAS, a portion of the Project is the Martin Luther King Jr. Medical Campus Parking Structure (the “Parking Structure”), a six-level parking structure located at 12021 South Wilmington Avenue on the southeast corner of the Martin Luther King Jr. Medical Campus (the “Medical Campus”), which is operated by the Martin Luther King, Jr. – Los Angeles (MLK-LA) Healthcare corporation, a California non-profit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), or a related affiliate thereof (the “Non-profit Corporation”); and

WHEREAS, the Parking Structure is operated by the County for the purpose of providing parking to the Medical Campus, and may be operated in the future by the Non-profit Corporation; and

WHEREAS, pursuant to Section 147(f) of the Code, the issuance of the Bonds by the Authority must be approved by the County; and

WHEREAS, the Board of Supervisors of the County (the “Board of Supervisors”) is the elected legislative body of the County and is one of the “applicable elected representatives” required to approve the issuance of the Bonds under Section 147(f) of the Code; and

WHEREAS, on July 24, 2019, the Office of the Treasurer and Tax Collector of the County held a public hearing on the financing of the Project, including the Parking Structure, in accordance with Section 6586.5 of the Act and Section 147(f) of the Code, which hearing commenced at 9:30 a.m. and was held at the Treasurer and Tax Collector Executive Conference Room, Room 437, located at the Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles, California, and all persons desiring to be heard have been heard; and

WHEREAS, in accordance with Section 6586.5 of the Act and Section 147(f) of the Code, notice of such hearing was published at least 7 days prior to the hearing in the Daily News, a newspaper of general circulation in the County; and

WHEREAS, the County desires to make a finding of significant public benefit in accordance with Section 6586(a)-(d), inclusive, of the Act and approve the issuance of the Bonds by the Authority in order to satisfy the public approval requirements of Section 147(f) of the Code; and

WHEREAS, the Board of Supervisors has been presented with the form of each document referred to herein relating to the financing contemplated hereby, and the Board of Supervisors has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such financing; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of such financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the County is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES, DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. All of the recitals herein contained are true and correct and the Board of Supervisors so finds. Following a duly noticed and conducted public hearing, the Board of Supervisors hereby further finds and determines that there are significant public benefits to the citizens of the County through the use of the Act to assist the County with respect to the subject matter hereof through the approval of the issuance of the Bonds and otherwise hereunder within the meaning of Section 6586(a)-(d), inclusive, of the Act.

Section 2. The form of the Third Site Lease Amendment, on file with the Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Chairperson of the Board of Supervisors, and such other member of the Board of Supervisors as the Chairperson may designate, the Treasurer and Tax Collector of the County or deputy or assistant thereof, and such other officers of the County as the Treasurer and Tax Collector of the County may designate (each an "Authorized Officer" and collectively the "Authorized Officers"), are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Third Site Lease Amendment in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The form of the Third Sublease Amendment, on file with the Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Third Sublease Amendment in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate amount of the principal components of the Base Rental Payments relating to the Bonds shall not exceed $325,000,000, and the true interest cost applicable to the interest components of the Base Rental Payments relating to the Bonds shall not exceed five percent (5%) per annum.

Section 4. The form of Fourth Supplemental Indenture, on file with the Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Fourth Supplemental Indenture in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate principal amount of the Bonds shall not exceed $325,000,000, the final maturity date of the Bonds shall be no later than December 1, 2049, and the true interest cost applicable to the Bonds shall not exceed five percent (5%) per annum. The Bonds may be issued in one or more taxable or tax-exempt series or subseries, from time to time, as determined by any Authorized Officer, pursuant to one or more supplemental indentures in substantially the form of the Fourth Supplemental Indenture.

Section 5. The form of the Bond Purchase Agreement, submitted to and on file with the Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Bond Purchase Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the Underwriters' discount for the sale of the Bonds shall not exceed six tenths of one percent (0.6%) of the aggregate principal amount.

Section 6. The form of Preliminary Official Statement, on file with the Executive Officer-Clerk of the Board of Supervisors, with such changes, insertions and omissions therein as may be approved by an Authorized Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the County that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 (as amended, "Rule 15c2-12") (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12).

Section 7. The preparation and delivery of an Official Statement, and its use in connection with the offering and sale of the Bonds, are hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the delivery thereof.

Section 8. The form of Continuing Disclosure Certificate, on file with the Executive Officer-Clerk of the Board of Supervisors, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the County, to execute and deliver the Continuing Disclosure Certificate in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced to the execution and delivery thereof.

Section 9. The Board of Supervisors hereby approves the plan of finance for the Project and the issuance of the Bonds by the Authority. It is the purpose and intent of the Board of Supervisors that this Resolution constitute approval of the plan of finance for the Project and the issuance of the Bonds for the purposes of Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is to be located, in accordance with said Section 147(f).

Section 10. The Authorized Officers are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, including, without limitation, signing additional agreements, certifications and/or instruments relating to the issuance of the Bonds or the refinancing and payoff of the Commercial Paper Notes, funding a debt service reserve fund for all or a portion of the Bonds, and obtaining additional title insurance with respect to the Property and entering into an agreement to indemnify and hold the insurance company providing the same harmless with respect to encumbrances recorded against the Property between the last title continuation as set forth in such agreement and the recording of the documents (or notice thereof) herein approved. The Authorized Officers are further authorized and directed, jointly and severally, to modify the list of capital improvement projects constituting the Project to be financed or refinanced using proceeds of the Bonds.

Section 11. In compliance with California Government Code Section 5852.1 (SB 450), the Board of Supervisors has obtained from the Municipal Advisor and the Representative the required good faith estimates and such estimates are disclosed and set forth in Exhibit B hereto.

Section 12. All actions heretofore taken by the officers, employees and agents of the County with respect to the transactions set forth above are hereby approved, confirmed and ratified.

Section 13. This Resolution shall take effect from and after its date of adoption.

The foregoing Resolution was on the 30th day of July, 2019, 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 district agencies and authorities for which the Board so acts.

CELIA ZAVALA,
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

EXHIBIT A

DESCRIPTION OF THE PROJECT

East Antelope Valley Animal Care Center Project
The East Antelope Valley Animal Care Center is located on a 5.94-acre County-owned property located in Palmdale that was constructed in 2016. The new Animal Care Center is a 25,889 square-feet indoor facility, which includes a public entry lobby; space for public adoption and animal relinquishment, control, quarantine, and euthanasia; a veterinary and spay/neuter clinic; and staff and administration areas.

Martin Luther King Jr. Medical Campus Parking Structure
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Fire Station 143
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Probation Department Building Renovation
The Probation Department Building is located on a 0.70-acre property at 3965 South Vermont Avenue in the City of Los Angeles and consists of a three-story office building with approximately 60,060 square-feet of office space and a four-story parking structure with rooftop parking. The building, which was originally constructed in 1965, has undergone a substantial renovation that was completed in 2018. The renovated Probation Department Building provides office space for the Probation Department's Juvenile and Adult Services operations, as well as other County departments. The building serves as a one-stop community re-entry center that provides rehabilitation and re-entry services and aid to adult probationers.

Music Center Plaza Improvement Project
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EXHIBIT B

SB 450 GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E (the "Bonds") in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the County of Los Angeles (the "County"), at the County's request, by Public Resources Advisory Group, the County's municipal advisor under Section 15B of the Securities Exchange Act of 1934 (the "Municipal Advisor"), and by Citigroup Global Markets Inc., as Representative (the "Representative"), on behalf of itself and the other underwriters selected by the County to underwrite the Bonds (collectively, the "Underwriters").

Principal Amount. The Municipal Advisor and the Representative have informed the County that, based on the County's financing plan and current market conditions, their good faith estimate of the aggregate principal amount of the Bonds to be sold in a public offering is **$267,240,000.00** (the "Estimated Principal Amount").

True Interest Cost of the Bonds. The Municipal Advisor and the Representative have informed the County that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market conditions prevailing at the time of preparation of such estimate, their good faith estimate of the true interest cost of the Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds, is **3.53%**.

Finance Charge of the Bonds. The Municipal Advisor and the Representative have informed the County that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market conditions prevailing at the time of preparation of such estimate, their good faith estimate of the finance charge for the Bonds, which means the sum of all fees and charges paid to third parties, is **$1,327,154.55**.

Amount of Proceeds to be Received. The Municipal Advisor and the Representative have informed the County that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market conditions prevailing at the time of preparation of such estimate, their good faith estimate of the amount of proceeds expected to be received by the County for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is **$318,750,000.00**.

Total Payment Amount. The Municipal Advisor and the Representative have informed the County that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market conditions prevailing at the time of preparation of such estimate, their good faith estimate of the total payment amount, which means the sum total of all principal and interest payments the County will make to pay debt service on the Bonds, plus the estimated finance charge for the Bonds, as described above, not paid with the respective proceeds of the Bonds, calculated to the final maturity of the Bonds, is **$526,302,300.00**.

The foregoing estimates constitute good faith estimates only and are based on market conditions prevailing at the time of preparation of such estimates. No representation or warranty is made by the Representative as to the achievability of any estimates contained herein. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates for a variety of reasons, including, without limitation, due to (a) the market conditions prevailing on the actual date of the sale of the Bonds being different than the market conditions prevailing at the time of preparation of the estimates contained herein, (b) the actual principal amount of Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of preparing the estimates contained herein, (d) the actual interest rates at which the Bonds are sold being different than those estimated for purposes of preparing the estimates contained herein, (e) other market conditions, or (f) alterations in the County's financing plan, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the County based on various factors. The actual interest rates borne by the Bonds will depend on market conditions at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market conditions at the time of sale thereof. Market conditions, including, without limitation, interest rates are affected by economic and other factors beyond the control of the County, the Municipal Advisor or the Underwriters. The good faith estimates contained here were prepared exclusively for the information of the County in accordance with California Government Code Section 5852.1, and should not be used or relied on by the County or any other party or for any other purpose. The Underwriters shall not be liable to any person for information provided to the County in accordance with California Government Code Section 5852.1.

The Underwriters have been retained by the County solely as underwriters for the offering of the Bonds, and not as advisers to or agents of the County or in any other capacity, including as a municipal advisor or fiduciary. The primary role of the Underwriters, as underwriters, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the County and the Underwriters, and the Underwriters have financial and other interests that differ from those of the County. The Underwriters are not acting as municipal advisors, financial advisors or fiduciaries to the County or any other person or entity in connection with the offering of the Bonds. The County should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. The County has informed the Underwriters that it is represented by, and will rely on the advice of, the Municipal Advisor in connection with the offering of the Bonds.

This is not a commitment, express or implied, on the part of the Underwriters to underwrite or purchase the Bonds or to commit any capital, nor does it obligate the Underwriters to enter into an underwriting agreement or similar commitment to finance.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY BY THE AUTHORITY OF A THIRD AMENDMENT TO MASTER SITE LEASE, A THIRD AMENDMENT TO MASTER SUBLEASE, A FOURTH SUPPLEMENTAL INDENTURE AND A BOND PURCHASE AGREEMENT IN CONNECTION WITH THE ISSUANCE OF LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY LEASE REVENUE BONDS, 2019 SERIES E, AUTHORIZING THE ISSUANCE OF SUCH BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $325,000,000, AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION THEREWITH AND AUTHORIZING THE EXECUTION OF NECESSARY DOCUMENTS AND CERTIFICATES AND RELATED ACTIONS

WHEREAS, the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") has issued its Lease Revenue Obligation Commercial Paper Notes (the "Commercial Paper Notes") from time to time for, among other purposes, the interim financing of all or a portion of the capital improvement projects described on Exhibit A, attached hereto and incorporated herein) (the "Project"); and

WHEREAS, the County of Los Angeles (the "County") desires to provide long-term financing for a portion of the Project by refinancing all or a portion of the outstanding Commercial Paper Notes with proceeds of lease revenue bonds to be issued by the Los Angeles County Public Works Financing Authority (the "Authority"); and

WHEREAS, the Authority previously issued certain lease revenue bonds (the "Prior Bonds"), pursuant to a Master Indenture, dated as of February 1, 2015, as supplemented by a First Supplemental Indenture, dated as of September 1, 2015, a Second Supplemental Indenture, dated as of March 1, 2016, and a Third Supplemental Indenture, dated as of November 1, 2017 (collectively, the "Master Indenture"), each by and among the Authority, the County and Zions Bankcorporation, National Association, formerly known as Zions First National Bank (the "Trustee"); and

WHEREAS, in connection with the issuance of the Prior Bonds, the County leased certain real property owned by the County (the "Original Property") to the Authority pursuant to a Master Site Lease, dated as of February 1, 2015, as supplemented by a First Amendment to Master Site Lease, dated as of September 1, 2015, and a Second Amendment to Master Site Lease, dated as of March 1, 2016 (collectively, the "Master Site Lease"), each by and between the County and the Authority; and

WHEREAS, the County subleased the Original Property back from the Authority pursuant to a Master Sublease, dated as of February 1, 2015, as supplemented by a First Amendment to Master Sublease, dated as of September 1, 2015, and a Second Amendment to Master Sublease, dated as of March 1, 2016 (collectively, the "Master Sublease"), each by and between the County and the Authority; and

WHEREAS, the Master Indenture provides that, subject to the conditions set forth therein, the County, the Authority and the Trustee, may by execution of a supplemental indenture, without the consent of the Owners of the Prior Bonds, provide for the issuance of Additional Bonds (as defined in the Master Indenture); and

WHEREAS, the County and the Authority have determined that it would be in the best interests of the County and the Authority to provide the funds necessary to pay all or a portion of the Commercial Paper Notes through the issuance of Additional Bonds designated "Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E" (the "Bonds"); and

WHEREAS, the Master Site Lease provides that the Master Site Lease may be amended only in accordance with the provisions of the Master Sublease; and

WHEREAS, the Master Sublease provides that the Master Sublease and the Master Site Lease and the rights and obligations of the Authority and the County thereunder may be amended at any time by an amendment thereof which shall become binding upon execution by the Authority and the County, without the written consents of any Owners of the Prior Bonds, in order to provide for the issuance of Additional Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire to enter into a Third Amendment to Master Site Lease (the "Third Site Lease Amendment") to provide for the issuance of Additional Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire to enter into a Third Amendment to Master Sublease (the "Third Sublease Amendment") to provide for the issuance of Additional Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire that the Trustee enter into a Fourth Supplemental Indenture (the "Fourth Supplemental Indenture") in order to provide for the issuance of the Bonds and to expressly provide that all rights to receive the Base Rental Payments, including the increased amounts thereof provided for in the Third Sublease Amendment, have been assigned without recourse by the Authority to the Trustee; and

WHEREAS, the Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985 (the "Act"), commencing with Section 6584 of the California Government Code; and

WHEREAS, Citigroup Global Markets Inc. (the "Representative"), on behalf of itself and J.P. Morgan Securities LLC, and such other co-underwriters as may be selected by the Treasurer and Tax Collector of the County and the Treasurer of the Authority prior to the sale of the Bonds (collectively, the "Underwriters"), has submitted to the Authority and the County a proposal to purchase the Bonds in the form of a Bond Purchase Agreement (the "Bond Purchase Agreement"); and

WHEREAS, a form of the Preliminary Official Statement (the "Preliminary Official Statement") to be distributed in connection with the public offering of the Bonds has been prepared; and

WHEREAS, the County is a member of the Authority and the Project is located within the territorial limits and boundaries of the County; and

WHEREAS, a portion of the Project is the Martin Luther King Jr. Medical Campus Parking Structure (the "Parking Structure"), a six-level parking structure located at 12021 South Wilmington

Avenue on the southeast corner of the Martin Luther King Jr. Medical Campus (the "Medical Campus"), which is operated by the Martin Luther King, Jr. – Los Angeles (MLK-LA) Healthcare corporation, a California non-profit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), or a related affiliate thereof (the "Non-profit Corporation"); and

WHEREAS, the Parking Structure is operated by the County for the purposes of providing parking to the Medical Campus, and may be operated in the future by the Non-profit Corporation; and

WHEREAS, pursuant to Section 147(f) of the Code, the issuance of the Bonds by the Authority must be approved by the County; and

WHEREAS, the Board of Supervisors of the County (the "Board of Supervisors") is the elected legislative body of the County and is one of the "applicable elected representatives" required to approve the issuance of the Bonds under Section 147(f) of the Code; and

WHEREAS, on July 24, 2019, the office of the Treasurer and Tax Collector of the County held a public hearing on the financing of the Project, including the Parking Structure, in accordance with Section 6586.5 of the Act and Section 147(f) of the Code, which hearing commenced at 9:30 a.m. and was held at the Treasurer and Tax Collector Executive Conference Room, Room 437, located at the Kenneth Hahn Hall of Administration, 500 West Temple Street, Los Angeles, California, and all persons desiring to be heard have been heard; and

WHEREAS, in accordance with Section 6586.5 of the Act and Section 147(f) of the Code, notice of such hearing was published at least 7 days prior to the hearing in the Daily News, a newspaper of general circulation in the County; and

WHEREAS, following the public hearing, the County made a finding of significant public benefit in accordance with Section 6586(a)-(d), inclusive, of the Act and approved the issuance of the Bonds by the Authority in satisfaction of the public approval requirements of Section 147(f) of the Code; and

WHEREAS, the Board of Directors of the Authority (the "Board of Directors") has been presented with the form of each document referred to herein relating to the financing contemplated hereby, and the Board of Directors has examined and approved each document and desires to authorize and direct the execution of such documents and the consummation of such financing; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of such financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY, AS FOLLOWS:

Section 1. All of the recitals herein contained are true and correct and the Board of Directors so finds.

Section 2. The form of the Third Site Lease Amendment, on file with the Secretary of the Authority, is hereby approved, and the Chairman of the Board of Directors of the Authority, and such other member of the Board of Directors as the Chairman may designate, the Treasurer of the Authority or deputy or assistant thereof, and such other officers of the Authority as the Treasurer of the Authority may designate (each an "Authorized Officer" and collectively the "Authorized Officers"), are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Third Site Lease Amendment in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The form of the Third Sublease Amendment, on file with the Secretary of the Authority, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Third Sublease Amendment in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the aggregate amount of the principal components of the base rental payments relating to the Bonds shall not exceed $325,000,000, and the true interest cost applicable to the interest components of the base rental payments relating to the Bonds shall not exceed five percent (5%) per annum.

Section 4. The issuance of not to exceed $325,000,000 aggregate principal amount of the Bonds, bearing interest at the rates and maturing on the dates as specified in the Fourth Supplemental Indenture, as finally executed, is hereby authorized and approved. The form of Fourth Supplemental Indenture, on file with the Secretary of the Authority, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Fourth Supplemental Indenture in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the final maturity date of the Bonds shall be no later than December 1, 2049, and the true interest cost applicable to the Bonds shall not exceed five percent (5%) per annum. The Bonds may be issued in one or more taxable or tax-exempt series or subseries, from time to time, as determined by any Authorized Officer, pursuant to one or more supplemental indentures in substantially the form of the Fourth Supplemental Indenture.

Section 5. The form of the Bond Purchase Agreement, submitted to and on file with the Secretary of the Board of Directors, is hereby approved, and the Authorized Officers are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Bond Purchase Agreement in substantially said form, with such changes, insertions and omissions therein as the Authorized Officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the Underwriters' discount for the sale of the Bonds shall not exceed six tenths of one percent (0.6%) of the aggregate principal amount.

Section 6. The form of Preliminary Official Statement, on file with the Secretary of the Authority, with such changes, insertions and omissions therein as may be approved by an Authorized

Officer, is hereby approved, and the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds is hereby authorized and approved. The Authorized Officers are each hereby authorized to certify on behalf of the Authority that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (as amended, "Rule 15c2-12") (except for the omission of certain final pricing, rating and related information as permitted by Rule 15c2-12).

Section 7. The preparation and delivery of an Official Statement, and its use in connection with the offering and sale of the Bonds, are hereby authorized and approved. The Official Statement shall be in substantially the form of the Preliminary Official Statement with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the delivery thereof.

Section 8. The Authorized Officers are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, including, without limitation, signing additional agreements, certifications and/or instruments relating to the issuance of the Bonds or the refinancing and payoff of the Commercial Paper Notes, funding a debt service reserve fund for all or a portion of the Bonds, and applying for, and negotiating the terms of, municipal bond insurance and/or a reserve surety policy or bond (and any contract or mutual insurance agreement for such insurance or surety) for all or a portion of the Bonds if such insurance or surety is determined to be in the best interests of the Authority. The Authorized Officers are further authorized and directed, jointly and severally, to modify the list of capital improvement projects constituting the Project to be financed or refinanced using proceeds of the Bonds.

Section 9. In compliance with California Government Code Section 5852.1 (SB 450), the Board of Directors has obtained the required good faith estimates from the Municipal Advisor and the Representative and such estimates are disclosed and set forth in Exhibit B attached hereto.

Section 10. All actions heretofore taken by the officers and agents of the Authority with respect to the transactions set forth above are hereby approved, confirmed and ratified.

Section 11. This Resolution shall take effect from and after its date of adoption.

The foregoing Resolution was on the 30th day of July, 2019, adopted by the Board of Directors of the Los Angeles County Public Works Financing Authority.

CELIA ZAVALA,
Secretary of the Board of Directors of the Los Angeles County Public Works Financing Authority

By:____________________
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

By:____________________
Deputy County Counsel

EXHIBIT A

DESCRIPTION OF THE PROJECT

East Antelope Valley Animal Care Center Project

The East Antelope Valley Animal Care Center is located on a 5.94-acre County-owned property located in Palmdale that was constructed in 2016. The new Animal Care Center is a 25,889 square-feet indoor facility, which includes a public entry lobby; space for public adoption and animal relinquishment, control, quarantine, and euthanasia; a veterinary and spay/neuter clinic; and staff and administration areas.

Martin Luther King Jr. Medical Campus Parking Structure

The Martin Luther King Jr. Medical Campus Parking Structure that was completed in 2018 is a six-level parking structure located at 12021 South Wilmington Avenue on the southeast corner of the Martin Luther King Jr. Medical Campus that occupies approximately 452,471 square-feet of gross building area, with 1,400 parking spaces to accommodate the parking needs of the medical campus.

Rancho Los Amigos National Rehabilitation Center - North Campus

The North Campus of Rancho Los Amigos National Rehabilitation Center is located on a 49.07-acre property at 7601 East Imperial Highway in the City of Downey. The newly constructed improvements consist of an extension of the pre-existing Jacquelin Perry Institute (JPI) building, an expansion of the pre-existing parking structure, a new outpatient facility building, a new warehouse, and the Don Knabe Wellness Center building which includes patient fitness areas, a gymnasium with accessible equipment for self-directed exercises and classes, and a pool for aquatic therapy.

Fire Station 143

Fire Station 143 is a new 9,700 square-foot fire station completed in 2016 that is located on a 1.1-acre County-owned property in Valencia. The facility provides improved fire protection, emergency medical, and life safety services to the Santa Clarita Valley. The facility consists of a two-bay apparatus room, main office, day room, kitchen, exercise room, and dormitory quarters for seven personnel.

Probation Department Building Renovation

The Probation Department Building is located on a 0.70-acre property at 3965 South Vermont Avenue in the City of Los Angeles and consists of a three-story office building with approximately 60,060 square-feet of office space and a four-story parking structure with rooftop parking. The building, which was originally constructed in 1965, has undergone a substantial renovation that was completed in 2018. The renovated Probation Department Building provides office space for the Probation Department's Juvenile and Adult Services operations, as well as other County departments. The building serves as a one-stop community re-entry center that provides rehabilitation and re-entry services and aid to adult probationers.

Music Center Plaza Improvement Project

The Music Center Plaza is located at 135 N. Grand Avenue in the City of Los Angeles. The Music Center Plaza Improvement Project includes the following components: 1) leveling and refinishing the Music Center Plaza surface to align with the Dorothy Chandler Pavilion and Mark Taper Forum; 2) reconstructing the existing Grand Avenue staircase with a more narrow staircase flanked on both sides by donor panels and escalators; 3) relocating the 50-foot-tall "Peace on Earth" Lipchitz sculpture in the center of the Music Center Plaza towards Hope Street; and 4) reconfiguring the existing food, beverage, and information facilities around the Music Center Plaza by creating four new, permanent structures, and adding new public restrooms to replace the existing restroom trailer.

EXHIBIT B

SB 450 GOOD FAITH ESTIMATES

The good faith estimates set forth herein are provided with respect to the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E (the "Bonds") in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Los Angeles County Public Works Financing Authority (the "Authority"), at the Authority's request, by Public Resources Advisory Group, the Authority's municipal advisor under Section 15B of the Securities Exchange Act of 1934 (the "Municipal Advisor"), and by Citigroup Global Markets Inc., as Representative (the "Representative"), on behalf of itself and the other underwriters selected by the Authority to underwrite the Bonds (collectively, the "Underwriters").

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Amount of Proceeds to be Received. The Municipal Advisor and the Representative have informed the Authority that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market conditions prevailing at the time of preparation of such estimate, their good faith estimate of the amount of proceeds expected to be received by the Authority for sale of the Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is **$318,750,000.00**.

Total Payment Amount. The Municipal Advisor and the Representative have informed the Authority that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market conditions prevailing at the time of preparation of such estimate, their good faith estimate of the total payment amount, which means the sum total of all principal and interest payments the Authority will make to pay debt service on the Bonds, plus the estimated finance charge for the Bonds, as described above, not paid with the respective proceeds of the Bonds, calculated to the final maturity of the Bonds, is **$526,302,300.00**.

The foregoing estimates constitute good faith estimates only and are based on market conditions prevailing at the time of preparation of such estimates. No representation or warranty is made by the Representative as to the achievability of any estimates contained herein. The actual principal amount of the Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates for a variety of reasons, including, without limitation, due to (a) the market conditions prevailing on the actual date of the sale of the Bonds being different than the market conditions prevailing at the time of preparation of the estimates contained herein, (b) the actual principal amount of Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of preparing the estimates contained herein, (d) the actual interest rates at which the Bonds are sold being different than those estimated for purposes of preparing the estimates contained herein, (e) other market conditions, or (f) alterations in the Authority's financing plan, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the Authority based on various factors. The actual interest rates borne by the Bonds will depend on market conditions at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market conditions at the time of sale thereof. Market conditions, including, without limitation, interest rates are affected by economic and other factors beyond the control of the Authority, the Municipal Advisor or the Underwriters. The good faith estimates contained here were prepared exclusively for the information of the Authority in accordance with California Government Code Section 5852.1, and should not be used or relied on by the Authority or any other party or for any other purpose. The Underwriters shall not be liable to any person for information provided to the Authority in accordance with California Government Code Section 5852.1.

The Underwriters have been retained by the Authority solely as underwriters for the offering of the Bonds, and not as advisers to or agents of the Authority or in any other capacity, including as a municipal advisor or fiduciary. The primary role of the Underwriters, as underwriters, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Authority and the Underwriters, and the Underwriters have financial and other interests that differ from those of the Authority. The Underwriters are not acting as municipal advisors, financial advisors or fiduciaries to the Authority or any other person or entity in connection with the offering of the Bonds. The Authority should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. The Authority has informed the Underwriters that it is represented by, and will rely on the advice of, the Municipal Advisor in connection with the offering of the Bonds.

This is not a commitment, express or implied, on the part of the Underwriters to underwrite or purchase the Bonds or to commit any capital, nor does it obligate the Underwriters to enter into an underwriting agreement or similar commitment to finance.

TO BE RECORDED AND WHEN RECORDED RETURN TO:
Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Attention: Vanessa S. Legbandt, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11921 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

THIRD AMENDMENT TO MASTER SITE LEASE

by and between

COUNTY OF LOS ANGELES

and

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

Dated as of __________ 1, 2019

TABLE OF CONTENTS

Page

THIRD AMENDMENT TO
MASTER SITE LEASE

THIS THIRD AMENDMENT TO MASTER SITE LEASE (this “Third Amendment”) executed and entered into as of __________ 1, 2019, is by and between the COUNTY OF LOS ANGELES, a political subdivision of the State of California (the “County”), and the LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California (the “Authority”).

RECITALS

WHEREAS, the Los Angeles County Capital Asset Leasing Corporation (the “Corporation”) has issued its Lease Revenue Obligation Commercial Paper Notes (the “Commercial Paper Notes”) from time to time for, among other purposes, the interim financing of all or a portion of the capital improvement projects described on Exhibit A, attached hereto and incorporated herein (collectively, the “Project”); and

WHEREAS, the County desires to provide long-term financing for all or a portion of the Project by refinancing all or a portion of the outstanding Commercial Paper Notes with proceeds of lease revenue bonds to be issued by the Authority; and

WHEREAS, the Authority previously issued certain lease revenue bonds (the “Prior Bonds”), pursuant to a Master Indenture, dated as of February 1, 2015, as supplemented by a First Supplemental Indenture, dated as of September 1, 2015, a Second Supplemental Indenture, dated as of March 1, 2016, and a Third Supplemental Indenture, dated as of November 1, 2017 (collectively, the “Master Indenture”), each by and among the Authority, the County and Zions Bankcorporation, National Association, a national banking association organized and existing under the laws of the United States of America, formerly known as Zions First National Bank, as trustee (the “Trustee”); and

WHEREAS, in connection with the issuance of the Prior Bonds, the County leased certain real property owned by the County (the “Original Property”) to the Authority pursuant to a Master Site Lease, dated as of February 1, 2015, recorded with the Recorder’s Office of the County on February 4, 2015 as Instrument No. 20150128156, as amended by a First Amendment to Master Site Lease, dated as of September 1, 2015, recorded with the Recorder’s Office of the County on September 1, 2015 as Instrument No. 20151080899, and a Second Amendment to Master Site Lease, dated as of March 1, 2016 (collectively, the “Master Site Lease”), recorded with the Recorder’s Office of the County on March 16, 2016 as Instrument No. 20160285434, each by and between the County and the Authority; and

WHEREAS, the County subleased the Original Property back from the Authority pursuant to a Master Sublease, dated as of February 1, 2015, recorded with the Recorder’s Office of the County on February 4, 2015 as Instrument No. 20150128157, as amended by a First Amendment to Master Sublease, dated as of September 1, 2015, recorded with the Recorder’s Office of the County on September 1, 2015 as Instrument No. 20151080900, and a Second Amendment to Master Sublease, dated as of March 1, 2016 (collectively, the “Master Sublease”), recorded with the Recorder’s Office of the County on March 16, 2016 as Instrument No. 20160285435, each by and between the County and the Authority; and

WHEREAS, the Master Indenture provides that, subject to the conditions set forth therein, the County, the Authority and the Trustee, may by execution of a supplemental indenture, without the consent of the Owners of the Prior Bonds, provide for the issuance of Additional Bonds (as defined in the Master Indenture); and

WHEREAS, the County and the Authority have determined that it would be in the best interests of the County and the Authority to provide the funds necessary to pay all or a portion of the Commercial Paper Notes through the issuance of Additional Bonds designated "Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-1" (the "Series 2019E-1 Bonds") and "Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2" (the "Series 2019E-2 Bonds" and together with the Series 2019E-1 Bonds, the "Series 2019E Bonds"); and

WHEREAS, the Master Site Lease provides that the Master Site Lease may be amended only in accordance with the provisions of the Master Sublease; and

WHEREAS, the Master Sublease provides that the Master Sublease and the Master Site Lease and the rights and obligations of the Authority and the County thereunder may be amended at any time by an amendment thereof which shall become binding upon execution by the Authority and the County, without the written consents of any Owners of the Prior Bonds, in order to provide for the issuance of Additional Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire to enter into this Third Amendment to provide for the issuance of the Series 2019E Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire to enter into a Third Amendment to Master Sublease, dated concurrently herewith (the "Third Sublease Amendment"), to increase the amount of base rental payments payable thereunder and to make certain other modifications in order to provide for the issuance of the Series 2019E Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire that the Trustee enter into a Fourth Supplemental Indenture, dated concurrently herewith (the "Fourth Supplemental Indenture"), in order to provide for the issuance of the Series 2019E Bonds and to expressly provide that all rights to receive the base rental payments, including the increased amounts thereof provided for in the Third Sublease Amendment, have been assigned without recourse by the Authority to the Trustee; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Third Amendment do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Third Amendment;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto agree as follows:

PART 1

AMENDMENTS TO MASTER SITE LEASE

Part 1.1 Amendments to Section 2.02. Section 2.02 of the Master Site Lease is hereby amended to include the following paragraph immediately following the first paragraph thereof:

> The Authority shall pay to the County as and for rental of the Property hereunder, an additional sum of not to exceed $__________ in connection with the issuance of the Series 2019E Bonds (the "2019E Site Lease Payment"). The 2019E Site Lease Payment shall be paid from the proceeds of the Series 2019E Bonds; provided, however, that in the event the available proceeds of the Series 2019E Bonds are not sufficient to enable the Authority to pay such amount in full, the remaining amount of the 2019E Site Lease Payment shall be reduced to an amount equal to the amount of such available proceeds.

Part 1.2 Amendments to Section 7.01. Section 7.01 of the Master Site Lease is hereby amended and replaced with the following:

> **Term**. The term of this Site Lease shall commence as of the date of commencement of the term of the Sublease and shall remain in full force and effect from such date to and including December 1, 2049, unless such term is extended or sooner terminated as hereinafter provided.

Part 1.3 Amendments to Section 7.02. Section 7.02 of the Master Site Lease is hereby amended and replaced with the following:

> **Extension; Early Termination**. If, on December 1, 2049, the Bonds shall not be fully paid, or provision therefor made in accordance with Article IX of the Indenture, or the Indenture shall not be discharged by its terms, or if the Rental Payments payable under the Sublease shall have been abated at any time, then the term of this Site Lease shall be automatically extended until the date upon which all Bonds shall be fully paid, or provision therefor made in accordance with Article IX of the Indenture, and the Indenture shall be discharged by its terms, except that the term of this Site Lease shall in no event be extended more than ten years beyond December 1, 2049. If, prior to December 1, 2049 all Bonds shall be fully paid, or provisions therefor made in accordance with Article IX of the Indenture, and the Indenture shall be discharged by its terms, the term of this Site Lease shall end simultaneously therewith.

PART 2

MISCELLANEOUS

Part 2.1 Effect of Third Amendment. This Third Amendment and all of the terms and provisions herein contained shall form part of the Master Site Lease as fully and with the same effect as if all such terms and provisions had been set forth in the Master Site Lease. The Master Site Lease is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented, and as amended and supplemented hereby. If there shall be any conflict between the terms of this Third Amendment and the terms of the Master Site Lease (as in effect on the day prior to the effective date of this Third Amendment), the terms of this Third Amendment shall prevail.

Part 2.2 Execution in Counterparts. This Third Amendment may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Part 2.3 Effective Date. This Third Amendment shall become effective upon the Series 2019E Closing Date.

IN WITNESS WHEREOF, the County and the Authority have caused this Third Amendment to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

COUNTY OF LOS ANGELES

By:____
Keith Knox,
Acting Treasurer and Tax Collector

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

By:____
Keith Knox,
Acting Treasurer

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF ____________)

On ______________________________, before me, ________________________________ , Notary Public,
(Print Name of Notary Public)

personally appeared ____

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

____
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

☐ Individual
☐ Corporate Officer

____
Title(s)

☐ Partner(s) ☐ Limited ☐ General
☐ Attorney-In-Fact
☐ Trustee(s)
☐ Guardian/Conservator
☐ Other: ______________________________

Signer is representing:
Name Of Person(s) Or Entity(ies)

____

____

DESCRIPTION OF ATTACHED DOCUMENT

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Title Or Type Of Document

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Number Of Pages

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Date Of Documents

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Signer(s) Other Than Named Above

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) ss.
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(Print Name of Notary Public)

personally appeared ____

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- ☐ Individual
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EXHIBIT A

DESCRIPTION OF THE PROJECT

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Fire Station 143. Fire Station 143 is a new 9,700 square-foot fire station completed in 2016 that is located on a 1.1-acre County-owned property in Valencia. The facility provides improved fire protection, emergency medical, and life safety services to the Santa Clarita Valley. The facility consists of a two-bay apparatus room, main office, day room, kitchen, exercise room, and dormitory quarters for seven personnel.

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CERTIFICATE OF ACCEPTANCE

In accordance with Section 27281 of the California Government Code, this is to certify that the interest in the real property conveyed by the Master Site Lease, dated as of February 1, 2015, as supplemented by the First Amendment to Master Site Lease, dated as of September 1, 2015, the Second Amendment to Master Site Lease, dated as of March 1, 2016, and the Third Amendment to Master Site Lease, dated as of __________ 1, 2019 (collectively, the "Master Site Lease"), each by and between the County of Los Angeles, a political subdivision of the State of California (the "County"), and the Los Angeles County Public Works Financing Authority, a joint powers authority organized and existing under the laws of the State of California (the "Authority"), from the County to the Authority, is hereby accepted by the undersigned on behalf of the Authority pursuant to authority conferred by resolution of the Board of Directors of the Authority adopted on July 30, 2019, and the Authority consents to recordation thereof by its duly authorized officer.

Dated: __________, 2019

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

By:____

Keith Knox,
Acting Treasurer

TO BE RECORDED AND
WHEN RECORDED RETURN TO:
Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Attention: Vanessa S. Legbandt, Esq.

THIS TRANSACTION IS EXEMPT FROM CALIFORNIA DOCUMENTARY TRANSFER TAX PURSUANT TO SECTION 11921 OF THE CALIFORNIA REVENUE AND TAXATION CODE. THIS DOCUMENT IS EXEMPT FROM RECORDING FEES PURSUANT TO SECTION 27383 OF THE CALIFORNIA GOVERNMENT CODE.

THIRD AMENDMENT TO MASTER SUBLEASE

by and between

COUNTY OF LOS ANGELES

and

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

Dated as of __________ 1, 2019

TABLE OF CONTENTS

THIRD AMENDMENT TO MASTER SUBLEASE

THIS THIRD AMENDMENT TO MASTER SUBLEASE (this "Third Amendment") executed and entered into as of __________ 1, 2019, is by and between the COUNTY OF LOS ANGELES, a political subdivision of the State of California (the "County"), and the LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California (the "Authority").

RECITALS

WHEREAS, the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") has issued its Lease Revenue Obligation Commercial Paper Notes (the "Commercial Paper Notes") from time to time for, among other purposes, the interim financing of all or a portion of the capital improvement projects described on Exhibit A, attached hereto and incorporated herein (collectively, the "Project"); and

WHEREAS, the County desires to provide long-term financing for all or a portion of the Project by refinancing all or a portion of the outstanding Commercial Paper Notes with proceeds of lease revenue bonds to be issued by the Authority; and

WHEREAS, the Authority previously issued certain lease revenue bonds (the "Prior Bonds"), pursuant to a Master Indenture, dated as of February 1, 2015, as supplemented by a First Supplemental Indenture, dated as of September 1, 2015, a Second Supplemental Indenture, dated as of March 1, 2016, and a Third Supplemental Indenture, dated as of November 1, 2017 (collectively, the "Master Indenture"), each by and among the Authority, the County and Zions Bankcorporation, National Association, a national banking association organized and existing under the laws of the United States of America, formerly known as Zions First National Bank, as trustee (the "Trustee"); and

WHEREAS, in connection with the issuance of the Prior Bonds, the County leased certain real property owned by the County (the "Original Property") to the Authority pursuant to a Master Site Lease, dated as of February 1, 2015, recorded with the Recorder's Office of the County on February 4, 2015 as Instrument No. 20150128156, as amended by a First Amendment to Master Site Lease, dated as of September 1, 2015, recorded with the Recorder's Office of the County on September 1, 2015 as Instrument No. 20151080899, and a Second Amendment to Master Site Lease, dated as of March 1, 2016 (collectively, the "Master Site Lease"), recorded with the Recorder's Office of the County on March 16, 2016 as Instrument No. 20160285434, each by and between the County and the Authority; and

WHEREAS, the County subleased the Original Property back from the Authority pursuant to a Master Sublease, dated as of February 1, 2015, recorded with the Recorder's Office of the County on February 4, 2015 as Instrument No. 20150128157, as amended by a First Amendment to Master Sublease, dated as of September 1, 2015, recorded with the Recorder's Office of the County on September 1, 2015 as Instrument No. 20151080900, and a Second Amendment to Master Sublease, dated as of March 1, 2016 (collectively, the "Master Sublease"), recorded with the Recorder's Office of the County on March 16, 2016 as Instrument No. 20160285435, each by and between the County and the Authority; and

WHEREAS, the Master Indenture provides that, subject to the conditions set forth therein, the County, the Authority and the trustee thereunder may by execution of a supplemental indenture, without the consent of the Owners of the Prior Bonds, provide for the issuance of Additional Bonds (as defined in the Master Indenture); and

WHEREAS, the County and the Authority have determined that it would be in the best interests of the County and the Authority to provide the funds necessary to pay all or a portion of the Commercial Paper Notes through the issuance of Additional Bonds designated "Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-1" (the "Series 2019E-1 Bonds") and "Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2 (the "Series 2019E-2 Bonds" and together with the Series 2019E-1 Bonds, the "Series 2019E Bonds"); and

WHEREAS, the Master Site Lease provides that the Master Site Lease may be amended only in accordance with the provisions of the Master Sublease; and

WHEREAS, the Master Sublease provides that the Master Sublease and the Master Site Lease and the rights and obligations of the Authority and the County thereunder may be amended at any time by an amendment thereof which shall become binding upon execution by the Authority and the County, without the written consents of any Owners of the Prior Bonds, in order to provide for the issuance of Additional Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire to enter into a Third Amendment to Master Site Lease, dated concurrently herewith (the "Third Site Lease Amendment"), to provide for the issuance of the Series 2019E Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire to enter into this Third Amendment to increase the amount of base rental payments payable thereunder and to make certain other modifications in order to provide for the issuance of the Series 2019E Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire that the Trustee enter into a Fourth Supplemental Indenture, dated concurrently herewith (the "Fourth Supplemental Indenture"), in order to provide for the issuance of the Series 2019E Bonds and to expressly provide that all rights to receive the base rental payments, including the increased amounts thereof provided for in this Third Amendment, have been assigned without recourse by the Authority to the Trustee; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Third Amendment do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Third Amendment;

NOW, THEREFORE, in consideration of the mutual covenants hereinafter contained, the parties hereto agree as follows:

PART 1

AMENDMENTS TO MASTER SUBLEASE

Part 1.1 <u>Amendments to Section 1.01</u>. (a) Section 1.01 of the Master Sublease is hereby amended by modifying the following terms:

> **"Base Rental Deposit Date"** means the Business Day immediately preceding each Interest Payment Date.
>
> **"Closing Date"** means, as appropriate to the context, the Series 2015A Closing Date, the Series 2015B/C Closing Date, the Series 2016D Closing Date, the Series 2019E Closing Date, and/or the closing date(s) for any series of Additional Bonds.
>
> **"Scheduled Termination Date"** means December 1, 2049.

(b) Section 1.01 of the Master Sublease is hereby amended by adding the following definitions:

> **"Series 2019E Closing Date"** means the date upon which the Series 2019E Bonds are delivered to the Series 2019E Bonds Original Purchaser thereof, being __________, 2019.
>
> **"Series 2019E Bonds"** means the Series 2019E-1 Bonds and the Series 2019E-2 Bonds.
>
> **"Series 2019E-1 Bonds"** means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-1, issued under the Indenture.
>
> **"Series 2019E-2 Bonds"** means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2, issued under the Indenture.
>
> **"Series 2019E Bonds Original Purchaser"** means Citigroup Global Markets Inc., on behalf of itself and J.P. Morgan Securities LLC, and __________, the original purchasers of the Series 2019E Bonds from the Authority.

Part 1.2 <u>Amendments to Section 3.01(b)</u>. (a) Section 3.01(b) of the Master Sublease is hereby amended in full to read as follows:

> (b) *Base Rental Payments*. Subject to the provisions of Section 3.06 hereof, the County shall, on each Base Rental Deposit Date, pay to the Authority a Base Rental Payment in an amount equal to the principal of, and interest on, the Bonds, including the Series 2015 Bonds, the Series 2015B Bonds, the Series 2015C Bonds, the Series 2016D Bonds, and the Series 2019E Bonds, due and payable on the next succeeding Principal Payment Date or Interest Payment Date, as applicable, including any such principal due and payable by reason of mandatory sinking fund redemption of the Bonds; provided, however, that the amount of such Base Rental

Payment shall be reduced by the amount, if any, available in the Payment Fund, the Principal Account or the Interest Account on such Base Rental Deposit Date to pay such principal of, or interest on, the Bonds.

Part 1.3 Amendments to Section 6.02(a). (a) Section 6.02(a) of the Master Sublease is hereby amended in full to read as follows:

> (a) The County shall have the right to cause the Bonds to be redeemed pursuant to, and in accordance with the provisions of, Section 3.02, Sections 11.05(a), 12.05(a), 13.05(a) or 14.05(a) of the Indenture by providing the Trustee with funds sufficient for such purpose (which funds may be derived by the County from any source) and giving notice of the County's exercise of such right as provided in subsection (b) of this Section.

PART 2

MISCELLANEOUS

Part 2.1 Effect of Third Amendment. This Third Amendment and all of the terms and provisions herein contained shall form part of the Master Sublease as fully and with the same effect as if all such terms and provisions had been set forth in the Master Sublease. The Master Sublease is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented, and as amended and supplemented hereby. If there shall be any conflict between the terms of this Third Amendment and the terms of the Master Sublease (as in effect on the day prior to the effective date of this Third Amendment), the terms of this Third Amendment shall prevail.

Part 2.2 Execution in Counterparts. This Third Amendment may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Part 2.3 Effective Date. This Third Amendment shall become effective upon the Series 2019E Closing Date.

IN WITNESS WHEREOF, the Authority and the County have caused this Third Amendment to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

By:____

Keith Knox,
Acting Treasurer

COUNTY OF LOS ANGELES

By:____

Keith Knox,
Acting Treasurer and Tax Collector

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
) ss.
COUNTY OF ____________)

On ______________________________, before me, ________________________________ , Notary Public,
(Print Name of Notary Public)

personally appeared ____

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

____
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

CAPACITY CLAIMED BY SIGNER

- ☐ Individual
- ☐ Corporate Officer

____
Title(s)

- ☐ Partner(s) ☐ Limited ☐ General
- ☐ Attorney-In-Fact
- ☐ Trustee(s)
- ☐ Guardian/Conservator
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Signer is representing:
Name Of Person(s) Or Entity(ies)

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EXHIBIT A

DESCRIPTION OF THE PROJECT

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Dated: __________, 2019

COUNTY OF LOS ANGELES

By:____

Keith Knox,
Acting Treasurer and Tax Collector

[Signature Page to Certificate of Acceptance]

Stradling Yocca Carlson & Rauth
Draft of 7/16/2019

FOURTH SUPPLEMENTAL
INDENTURE

by and among

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

and

COUNTY OF LOS ANGELES

and

ZIONS BANKCORPORATION, NATIONAL ASSOCIATION
Dated as of __________ 1, 2019

Relating to

Los Angeles County Public Works Financing Authority
Lease Revenue Bonds, 2019 Series E-1

Los Angeles County Public Works Financing Authority
Lease Revenue Bonds, 2019 Series E-2

TABLE OF CONTENTS

FOURTH SUPPLEMENTAL INDENTURE

THIS FOURTH SUPPLEMENTAL INDENTURE (this "Fourth Supplemental Indenture"), is made and entered into as of __________ 1, 2019, by and among the LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY, a joint exercise of powers entity organized and existing under and by virtue of the laws of the State of California (the "Authority"), the COUNTY OF LOS ANGELES, a political subdivision of the State of California (the "County"), and ZIONS BANKCORPORATION, NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, formerly known as Zions First National Bank, as trustee (the "Trustee").

WITNESSETH:

WHEREAS, the Los Angeles County Capital Asset Leasing Corporation (the "Corporation") has issued its Lease Revenue Obligation Commercial Paper Notes (the "Commercial Paper Notes") from time to time for, among other purposes, the interim financing of all or a portion of the capital improvement projects described on Exhibit B hereto and incorporated herein (the "Project"); and

WHEREAS, the County desires to provide long-term financing for a portion of the Project by refinancing a portion of the outstanding Commercial Paper Notes with proceeds of lease revenue bonds to be issued by the Authority; and

WHEREAS, the Authority previously issued certain lease revenue bonds (the "Prior Bonds"), pursuant to a Master Indenture, dated as of February 1, 2015, as supplemented by a First Supplemental Indenture, dated as of September 1, 2015, a Second Supplemental Indenture, dated as of March 1, 2016, and a Third Supplemental Indenture, dated as of November 1, 2017 (collectively, the "Master Indenture"), each by and among the Authority, the County and the trustee; and

WHEREAS, in connection with the issuance of the Prior Bonds, the County leased certain real property owned by the County (the "Original Property") to the Authority pursuant to a Master Site Lease, dated as of February 1, 2015, as supplemented by a First Amendment to Master Site Lease, dated as of September 1, 2015, and a Second Amendment to Master Site Lease, dated as of March 1, 2016 (collectively, the "Master Site Lease"), each by and between the County and the Authority; and

WHEREAS, the County subleased the Original Property back from the Authority pursuant to a Master Sublease, dated as of February 1, 2015, as supplemented by a First Amendment to Master Sublease, dated as of September 1, 2015, and a Second Amendment to Master Sublease, dated as of March 1, 2016 (collectively, the "Master Sublease"), each by and between the County and the Authority; and

WHEREAS, the Master Indenture provides that, subject to the conditions set forth therein, in addition to the Prior Bonds, the County, the Authority and the Trustee may by execution of a supplemental indenture, without the consent of the Owners of the Prior Bonds, provide for the issuance of Additional Bonds (as defined in the Master Indenture); and

WHEREAS, the County and the Authority have determined that it would be in the best interests of the County and the Authority to provide the funds necessary to pay the Commercial

Paper Notes through the issuance of Additional Bonds, designated “Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-1” (the “Series 2019E-1 Bonds”) and “Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2” (the “Series 2019E-2 Bonds,” and together with the Series 2019E-1 Bonds, the “Series 2019E Bonds”); and

WHEREAS, the Master Site Lease provides that the Master Site Lease may be amended only in accordance with the provisions of the Master Sublease; and

WHEREAS, the Master Sublease provides that the Master Sublease and the Master Site Lease and the rights and obligations of the Authority and the County thereunder may be amended at any time by an amendment thereof which shall become binding upon execution by the Authority and the County, without the written consents of any Owners of the Prior Bonds, in order to provide for the issuance of Additional Bonds in accordance with the provisions of the Master Indenture; and

WHEREAS, the Authority and the County desire to enter into a Third Amendment to Master Site Lease (the “Third Site Lease Amendment”) in order to amend the Master Site Lease so as to provide for the issuance of the Series 2019E Bonds in accordance with the provisions of the Master Indenture (the Master Site Lease as so amended being referred to herein as the “Site Lease”); and

WHEREAS, the Authority and the County also desire to enter into a Third Amendment to Master Sublease (the “Third Sublease Amendment”) in order to amend the Master Sublease to increase the amount of base rental payments payable thereunder and to make certain other modifications in order to provide for the issuance of the Series 2019E Bonds in accordance with the provisions of the Master Indenture (the Master Sublease as so amended being referred to herein as the “Sublease”); and

WHEREAS, the Trustee, the Authority and the County are entering into this Fourth Supplemental Indenture in order to provide for the issuance of the Series 2019E Bonds and to expressly provide that all rights to receive the base rental payments, including the increased amounts thereof provided for in the Third Sublease Amendment, have been assigned without recourse by the Authority to the Trustee; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Fourth Supplemental Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Fourth Supplemental Indenture;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants contained herein and for other valuable consideration, the parties do hereby agree as follows:

PART 1

PARTICULAR AMENDMENTS

Part 1.1. <u>Amendments to Section 1.01</u>. (a) Section 1.01 of the Master Indenture is hereby amended by modifying the following terms:

"Closing Date" means, as appropriate to the context, the Series 2015A Closing Date, the Series 2015B/C Closing Date, the Series 2016D Closing Date, the Series 2019E Closing Date, and/or the closing date(s) for any series of Additional Bonds.

"Interest Payment Date" means, (a) with respect to the Series 2015 Bonds, each June 1 and December 1, commencing December 1, 2015, (b) with respect to the Series 2015B Bonds and the Series 2015C Bonds, each June 1 and December 1, commencing December 1, 2015, (c) with respect to the Series 2016D Bonds, each June 1 and December 1, commencing December 1, 2016, and (d) with respect to the Series 2019E Bonds, each June 1 and December 1, commencing December 1, 2019.

"Original Purchaser" means (a) with respect to the Series 2015 Bonds, Barclays Capital Inc., on behalf of itself and on behalf of J.P. Morgan Securities LLC, Siebert Brandford Shank & Co., L.L.C. and Edward Jones, the original purchasers of the Series 2015 Bonds from the Authority, (b) with respect to the Series 2015B Bonds and the Series 2015C Bonds, Goldman, Sachs & Co., on behalf of itself and on behalf of Morgan Stanley & Co. LLC, Raymond James & Associates, Inc., Backstrom McCarley Berry & Co., LLC and KeyBanc Capital Markets Inc., the original purchasers of the Series 2015B Bonds and the Series 2015C Bonds from the Authority, (c) with respect to the Series 2016D Bonds, J.P. Morgan Securities LLC, on behalf of itself and on behalf of Citigroup Global Markets Inc., RBC Capital Markets, LLC, Cabrera Capital Markets LLC, Jefferies LLC and Loop Capital Markets LLC, and (d) with respect to the Series 2019E Bonds, Citigroup Global Markets Inc., on behalf of itself and on behalf of J.P. Morgan Securities LLC, and _____________.

"Rebate Requirement" has the meaning ascribed thereto in the Tax Certificate, the Tax Certificate (Series 2015B Bonds), the Tax Certificate (Series 2016D Bonds), or the Tax Certificate (Series 2019E Bonds), as applicable.

(b) Section 1.01 of the Master Indenture is hereby amended by adding thereto the following definitions:

"Continuing Disclosure Certificate (Series 2019E Bonds)" means the Continuing Disclosure Certificate, dated __________, 2019, executed by the County, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Participating Underwriter (Series 2019E Bonds)" has the meaning ascribed thereto in the Continuing Disclosure Certificate (Series 2019E Bonds).

"Series 2019E Bonds" means the Series 2019E-1 Bonds and the Series 2019E-2 Bonds.

"Series 2019E-1 Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-1, issued under the Indenture.

"Series 2019E-2 Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2, issued under the Indenture.

"Series 2019E Closing Date" means the date upon which the Series 2019E Bonds are delivered to the Original Purchaser thereof, being __________, 2019.

"Tax Certificate (Series 2019E Bonds)" means the Tax Certificate executed by the Authority and the County at the time of issuance of the Series 2019E Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

Part 1.2. Amendment to Section 4.01. The second paragraph of Section 4.01 of the Master Indenture is hereby amended and supplemented to read as follows:

> In order to secure the pledge of the Lease Revenues contained in this Section, the Authority hereby sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Site Lease (as heretofore amended and as same shall be amended from time to time) and the Sublease (as heretofore amended and as same shall be amended from time to time), including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Sublease in the event of a default by the County thereunder; provided, however, that the Authority shall retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Sublease. The Trustee hereby accepts said assignment for the benefit of the Owners, subject to the provisions of this Indenture.

Part 1.3. Amendment to Section 4.06(c). Section 4.06(c) of the Master Indenture is hereby amended and supplemented to read as follows:

> (c) In the event that, on the Business Day prior to a date on which the Trustee is to transfer money from the Payment Fund to the Interest Accounts pursuant to subsection (c) of Section 4.04 hereof or to the Principal Accounts pursuant to subsection (d) of Section 4.04 hereof, amounts in the Payment Fund are insufficient for such purpose, the Trustee shall withdraw from each Reserve Account, to the extent of any funds therein, the amount of the insufficiency of the related Series of Bonds, and shall transfer any amounts so withdrawn first to the related Interest Account and then to the related Principal Account. If the amount on deposit in any Reserve Account is not sufficient to make such transfer, the Trustee shall make claim under any available Reserve Facility, in accordance with the provisions thereof, in order to obtain an amount sufficient to allow the Trustee to make such transfer as and when required.

PART 2

ADDITION OF ARTICLE XIV

Part 2.1. Addition of Article XIV. The Master Indenture is hereby amended and supplemented by adding thereto an additional Article as follows:

ARTICLE XIV

SERIES 2019E BONDS

Section 14.01. Issuance of Series 2019E Bonds. The Authority may, at any time, execute the Series 2019E-1 Bonds, in the aggregate principal amount of $__________, and the Series 2019E-2 Bonds, in the aggregate principal amount of $__________ for issuance hereunder and deliver the same to the Trustee. The Trustee shall authenticate the Series 2019E Bonds and deliver the Series 2019E Bonds to the Original Purchaser thereof upon receipt of a Written Request of the Authority and upon receipt of the purchase price therefor.

Section 14.02. Terms of Series 2019E Bonds; Interest Computation.

(a) The Series 2019E-1 Bonds shall be designated the "Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-1." The aggregate principal amount of Series 2019E-1 Bonds that may be issued and Outstanding under this Indenture shall not exceed $__________, except as may be otherwise provided in Section 2.11 hereof.

(b) The Series 2019E-1 Bonds shall be issued in fully registered form without coupons in Authorized Denominations, so long as no Series 2019E-1 Bond shall have more than one maturity date. The Series 2019E-1 Bonds shall be dated the Series 2019E Closing Date, shall be issued in the aggregate principal amount of $__________, shall mature on December 1 of each year and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates per annum as follows:

Maturity Date (December 1)	Principal Amount	Interest Rate
	$	%

(c) The Series 2019E-2 Bonds shall be designated the "Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2." The aggregate principal amount of Series 2019E-2 Bonds that may be issued and Outstanding under this Indenture shall not exceed $__________, except as may be otherwise provided in Section 2.11 hereof.

(d) The Series 2019E-2 Bonds shall be issued in fully registered form without coupons in Authorized Denominations, so long as no Series 2019E-2 Bond shall have more than one maturity date. The Series 2019E-2 Bonds shall be dated the Series 2019E Closing Date, shall be issued in the aggregate principal amount of $__________, shall mature on December 1 of each year and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the rates per annum as follows:

Maturity Date (December 1)	**Principal Amount**	**Interest Rate**
	$	%

(e) Interest on the Series 2019E Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a Series 2019E Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a Series 2019E Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the dated date thereof, or (iii) interest on any Series 2019E Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest shall be paid in lawful money of the United States on each Interest Payment Date to the Persons in whose names the ownership of the Series 2019E Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest shall be paid by wire or check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Series 2019E Bond Owners at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date.

(f) The principal and premium, if any, of the Series 2019E Bonds shall be payable in lawful money of the United States of America upon presentation and surrender thereof upon maturity or earlier redemption at the Office of the Trustee.

(g) The Series 2019E Bonds shall be subject to redemption as provided in Section 14.05.

(h) The Series 2019E Bonds shall initially be issued as Book-Entry Bonds.

(i) The Series 2019E Bonds shall not constitute Common Reserve Bonds and shall not be secured by any Reserve Account.

(j) No amounts on deposit in the Reserve Fund, including the Common Reserve Account or any other account established in the Reserve Fund to secure any other series of Bonds, shall secure payment of or be available to pay debt service on the Series 2019E Bonds.

Section 14.03. Form of Series 2019E Bonds. The Series 2019E Bonds shall be in substantially the form set forth in Exhibit A hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

Section 14.04. Deposit of Proceeds of Series 2019E Bonds. (a) On the Series 2019E Closing Date, the proceeds received from the sale of the Series 2019E-1 Bonds shall be deposited by the Trustee as follows:

(1) The Trustee shall deposit in the Costs of Issuance Fund the amount of $__________, which the Trustee shall reopen and reestablish in connection with the issuance of the Series 2019E Bonds. On the date that is six months after the Series 2019E Closing Date, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to the Project Fund, and upon such transfer the Costs of Issuance Fund shall be closed.

(2) The Trustee shall deposit the amount of $__________ in a fund designated the "Refunded Commercial Paper Note Fund," which the Trustee shall establish and maintain. On the Series 2019E Closing Date, the Trustee shall transfer all amounts in such fund to the U.S. Bank National Association, acting in its capacity as issuing and paying agent with respect to the Commercial Paper Notes, for payment of the Commercial Paper Notes which the issuing and paying agent shall apply to the payment of the Commercial Paper Notes attributable to components of the Project other than the Martin Luther King Medical Campus Parking Structure.

(b) On the Series 2019E Closing Date, the proceeds received from the sale of the Series 2019E-2 Bonds shall be deposited by the Trustee as follows:

(1) The Trustee shall deposit in the Costs of Issuance Fund the amount of $__________, which the Trustee shall reopen and reestablish in connection with the issuance of the Series 2019E Bonds. On the date that is six months after the Series 2019E Closing Date, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to the Project Fund, and upon such transfer the Costs of Issuance Fund shall be closed.

(2) The Trustee shall deposit the amount of $__________ in the Refunded Commercial Paper Note Fund. On the Series 2019E Closing Date, the Trustee shall transfer all amounts in such fund to the U.S. Bank National Association, acting in its capacity as issuing and paying agent with respect to the Commercial Paper Notes, for payment of the Commercial Paper Notes which the issuing and paying agent shall apply to the payment of the Commercial Paper Notes attributable to the Martin Luther King Medical Campus Parking Structure.

Section 14.05. Redemption of Series 2019E Bonds. The Series 2019E Bonds shall be subject to redemption as follows:

(a) *Optional Redemption*. The Series 2019E-1 Bonds maturing on or before December 1, 20__ are not subject to optional redemption prior to their respective stated maturity dates. The Series 2019E-1 Bonds maturing on or after December 1, 20__, are subject to optional redemption prior to their respective stated maturity dates, on any date on or after December 1, 20__, in whole or in part, in Authorized Denominations, from (i) amounts received from the County in connection with the County's exercise of its right pursuant to the Sublease to cause Bonds to be optionally redeemed, or (ii) any other source of available funds, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

(b) The Series 2019E-1 Bonds maturing December 1, 20__ (the "Series 2019E-1 20__ Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on December 1 in each year, commencing December 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed
(Maturity)	

The Series 2019E-1 Bonds maturing December 1, 20__ (the "Series 2019E-1 20__ Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on December 1 in each year, commencing December 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed
(Maturity)	

If some but not all of the Series 2019E-1 20__ Term Bonds or the Series 2019E-1 20__ Term Bonds are redeemed pursuant to Section 3.01 of the Master Indenture, the principal amount of such Bonds to be redeemed pursuant to this Section shall be reduced by the aggregate principal amount of the Series 2019E-1 20__ Term Bonds or the Series 2019E-1 20__ Term Bonds so redeemed pursuant to Section 3.01 of the Master Indenture, such reduction to be allocated among redemption dates as nearly as practicable on a pro rata basis, in amounts equal to Authorized Denominations, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Authority and the County. If some but not all of the Series 2019E-1 20__ Term Bonds or the Series 2019E-1 20__ Term Bonds are redeemed pursuant to Section 14.05(a) hereof, the principal amount of such Bonds to be redeemed pursuant to this Section shall be reduced by the aggregate principal amount of the Series 2019E-1 20__ Term Bonds or the Series 2019E-1 20__ Term Bonds so redeemed pursuant to Section 14.05(a) hereof, such reduction to be allocated among redemption dates in Authorized Denominations, as designated by the County in a Written Certificate of the County.

(c) *Optional Redemption*. The Series 2019E-2 Bonds maturing on or before December 1, 20__ are not subject to optional redemption prior to their respective stated maturity dates. The Series 2019E-2 Bonds maturing on or after December 1, 20__, are subject to optional redemption prior to their respective stated maturity dates, on any date on or after December 1, 20__, in whole or in part, in Authorized Denominations, from (i) amounts received from the County in connection with the County's exercise of its right pursuant to the Sublease to cause Bonds to be optionally redeemed, or (ii) any other source of available funds, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

(d) The Series 2019E-2 Bonds maturing December 1, 20__ (the "Series 2019E-2 20__ Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on December 1 in each year, commencing December 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed
(Maturity)	

The Series 2019E-2 Bonds maturing December 1, 20__ (the "Series 2019E-2 20__ Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on December 1 in each year, commencing December 1, 20__, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed
(Maturity)	

If some but not all of the Series 2019E-2 20__ Term Bonds or the Series 2019E-2 20__ Term Bonds are redeemed pursuant to Section 3.01 of the Master Indenture, the principal amount of such Bonds to be redeemed pursuant to this Section shall be reduced by the aggregate principal amount of the Series 2019E-2 20__ Term Bonds or the Series 2019E-2 20__ Term Bonds so redeemed pursuant to Section 3.01 of the Master Indenture, such reduction to be allocated among redemption dates as nearly as practicable on a pro rata basis, in amounts equal to Authorized Denominations, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Authority and the County. If some but not all of the Series 2019E-2 20__ Term Bonds or the Series 2019E-2 20__ Term Bonds are redeemed pursuant to Section 14.05(a) hereof, the principal amount of such Bonds to be redeemed pursuant to this Section shall be reduced by the aggregate principal amount of the Series 2019E-2 20__ Term Bonds or the Series 2019E-2 20__ Term Bonds so redeemed pursuant to Section 14.05(a) hereof, such reduction to be allocated among redemption dates in Authorized Denominations, as designated by the County in a Written Certificate of the County.

(e) *Selection*. If some but not all of the Series 2019E Bonds are redeemed pursuant to Section 14.05(a) hereof, the Trustee shall select the Series 2019E Bonds to be redeemed as directed in a Written Certificate of the County.

Section 14.06. Tax Covenants. Notwithstanding any other provision of this Indenture, absent an Opinion of Counsel that the exclusion from gross income of interest on the Bonds will not be adversely affected for federal income tax purposes, the County and the Authority covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) *Private Activity*. With respect to the Series 2019E-1 Bonds, neither the Authority nor the County will take or omit to take any action or make any use of the proceeds of the Series 2019E-1 Bonds or of any other moneys or property which would cause the Series 2019E-1 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code. With respect to the Series 2019E-2 Bonds, neither the Authority nor the County will take or omit to take any action or make any use of the proceeds of the Series 2019E-2 Bonds which would cause the Series 2019E-2 Bonds to either (i) be "private activity bonds" within the meaning of Section 141 of the Code or (ii) to not constitute "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. The County and Authority will not, directly or indirectly, use or permit the use of proceeds of the Series

2019E-2 Bonds or any of the property financed or refinanced with proceeds of the Series 2019E-2 Bonds, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code) or an organization described in Section 501(c)(3) of the Code in pursuit of such organization's exempt purpose and other than in an "unrelated trade or business" (as such term is defined in Section 513 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Series 2019E-2 Bonds.

(b) *Arbitrage*. Neither the Authority nor the County will make any use of the proceeds of the Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) *Federal Guarantee*. Neither the Authority nor the County will make any use of the proceeds of the Bonds or take or omit to take any action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) *Information Reporting*. The Authority and the County will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code.

(e) *Miscellaneous*. Neither the Authority nor the County will take any action inconsistent with their expectations stated in any Tax Certificate executed with respect to the Series 2019E Bonds. The Authority and the County will comply with the covenants and requirements stated in any Tax Certificate executed with respect to the Series 2019E Bonds.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the Authority from issuing Bonds the interest on which has been determined by the Board to be subject to federal income taxation.

Section 14.07. <u>Rebate Fund</u>.

(a) *Maintenance of Rebate Fund*. The Trustee shall maintain within the Rebate Fund, when needed, separate accounts (solely from amounts deposited by the Authority) designated the "Series 2019E Rebate Account." Absent an Opinion of Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2019E Bonds will not be adversely affected, the Authority shall cause to be deposited in each such account of the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate (Series 2019E Bonds). All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Series 2019E Rebate Account of the Rebate Fund shall be governed by this Section 14.07 and the Tax Certificate (Series 2019E Bonds), unless and to the extent that the Authority delivers to the Trustee an Opinion of Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2019E Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding any other provision of this Indenture, the Trustee shall be deemed conclusively to have complied with this Section 14.07 and the Tax Certificate (Series 2019E Bonds) if it follows the directions set forth in any Written Request of the Authority or Written Certificate of the Authority and shall be fully protected in so doing. The Trustee shall have no independent responsibility to, or liability resulting from its failure to, enforce compliance by the Authority with the terms of this Section 14.07 or the Tax Certificate (Series 2019E Bonds).

(b) *Series 2019E Rebate Account*. The following requirements shall be satisfied with respect to the Series 2019E Rebate Account:

(i) *Annual Computation*. Within 55 days of the end of each Bond Year, the Authority shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (Series 2019E Bonds) (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the "1½% Penalty") has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148 1(b) of the Treasury Regulations (the "Rebatable Arbitrage"). The Authority shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section 14.07.

(ii) *Annual Transfer*. Within 55 days of the end of each applicable Bond Year, upon receipt of the Written Request of the Authority, an amount shall be deposited to the applicable Series 2019E Rebate Account by the Trustee from any Lease Revenues specified by the Authority in the aforesaid Request, if and to the extent required so that the balance in the Series 2019E Rebate Account shall equal the amount of Rebatable Arbitrage so calculated in accordance with (i) of this Subsection (b). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of a Series 2019E Rebate Account exceeds the amount required to be on deposit therein, upon receipt of a Written Request of the Authority, the Trustee shall withdraw the excess from the applicable Series 2019E Rebate Account and then credit the excess to the Payment Fund.

(iii) *Payment to the Treasury*. The Trustee shall pay, as directed by Written Request of the Authority, to the United States Treasury, out of amounts in the Series 2019E Rebate Account,

(A) Not later than 60 days after the end of (A) the fifth Bond Year, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage as set forth in a Written Certificate of the Authority delivered to the Trustee calculated as of the end of such Bond Year; and

(B) Not later than 60 days after the payment of all the Bonds, an amount equal to 100% of the Rebatable Arbitrage as set forth in a Written Certificate of the Authority delivered to the Trustee calculated as of the end of such applicable Bonds Year, and any income attributable to the Rebatable Arbitrage, as set forth in a Written Certificate of the Authority delivered to the Trustee computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from a Series 2019E Rebate Account, the amount in such Series 2019E Rebate Account is not sufficient to make such payment when such payment is due, the Authority shall calculate or cause to be calculated the amount of such deficiency and deposit with the Trustee an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (b) shall be made to the Internal Revenue Service Center, Ogden, Utah 84207 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038 T (which form shall be completed and provided by the Authority to the Trustee), or shall be made in such other manner as provided under the Code, in each case as specified in a Written Request of the Authority delivered to the Trustee.

(c) *Disposition of Unexpended Funds*. Any funds remaining in the Series 2019E Rebate Account of the Rebate Fund after redemption and payment of the Series 2019E Bonds and the payments of all amounts described in subsection (b)(iii) or (c)(iii) (whichever is applicable) or provision made therefor satisfactory to the Trustee, including accrued interest and payment of all applicable fees to the Trustee, may, upon written request, be withdrawn by the Trustee and remitted to the Authority and utilized in any manner by the Authority.

(d) *Survival of Defeasance*. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the Bonds.

(e) *Trustee*. The Trustee shall have no responsibility to monitor or calculate any amounts payable to the U.S. Treasury pursuant to this Section and shall be deemed conclusively to have complied with its obligations hereunder if it follows the written instructions of the Authority given pursuant to this Section.

Section 14.08. Continuing Disclosure. The County shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate (Series 2019E Bonds). Notwithstanding any other provision of this Indenture, failure of the County to comply with the Continuing Disclosure Certificate (Series 2019E Bonds) shall not constitute an event of default hereunder; provided, however, that the Trustee may (and, at the written direction of any Participating Underwriter (Series 2019E Bonds) or the holders of at least 25% of the aggregate principal evidenced by Outstanding Series 2019E Bonds, and upon indemnification of the Trustee to its reasonable satisfaction, shall) or any holder or beneficial owner of the Series 2019E Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

PART 3

MISCELLANEOUS

Part 3.1. Effect of Fourth Supplemental Indenture. This Fourth Supplemental Indenture and all of the terms and provisions herein contained shall form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented, and as amended and supplemented hereby. If there shall be any conflict between the terms of this Fourth Supplemental Indenture and the terms of the Indenture (as in effect on the day prior to the effective date of this Fourth Supplemental Indenture), the terms of this Fourth Supplemental Indenture shall prevail.

Part 3.2. Execution in Counterparts. This Fourth Supplemental Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Part 3.3. Governing Law. This Fourth Supplemental Indenture shall be construed and governed in accordance with the laws of the State of California.

Part 3.4. Effective Date. This Fourth Supplemental Indenture shall become effective upon the Series 2019E Closing Date.

IN WITNESS WHEREOF, the parties hereto have executed this Fourth Supplemental Indenture by their officers thereunto duly authorized as of the day and year first written above.

ZIONS BANKCORPORATION, NATIONAL ASSOCIATION, as Trustee

By:____
Authorized Officer

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

By:____
Keith Knox,
Acting Treasurer

COUNTY OF LOS ANGELES

By:____
Keith Knox,
Acting Treasurer and Tax Collector

EXHIBIT A

FORM OF SERIES 2019E BOND

No. $__________

LOS ANGELES PUBLIC WORKS FINANCING AUTHORITY
LEASE REVENUE BOND,
2019 Series E[-1/-2]

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP
%	December 1, 20	__________, 2019	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: ________________________________ DOLLARS

The Los Angeles County Public Works Financing Authority (the "Authority"), for value received, hereby promises to pay, solely from the Lease Revenues as provided in the Indenture (as hereinafter defined) or amounts in certain funds and accounts held under the Indenture, to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above or on any earlier redemption date, the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Rate of Interest identified above in like lawful money from the date hereof payable semiannually on June 1 and December 1 in each year, commencing [December 1, 2019] (the "Interest Payment Dates"), until payment of such Principal Amount in full. This Bond shall bear interest from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding such Interest Payment Date, whether or not such day is a business day, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to [November 15, 2019], in which event it shall bear interest from the Dated Date identified above; provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or duly provided for). The Principal Amount hereof is payable upon surrender hereof upon maturity or earlier redemption at the Office of the Trustee (as hereinafter defined). Interest hereon is payable by wire or check of Zions Bankcorporation, National Association, as trustee for the Owners of the herein referenced Series 2019E[-1/-2] Bonds (the "Trustee"), mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner as it appears on the Registration Books of the Trustee as of the close of business on the fifteenth calendar day of the month preceding such Interest Payment Date. "Office of the Trustee" means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority by the Trustee in writing.

This Bond is one of a series of a duly authorized issue of bonds issued for the purpose of refinancing the construction of certain public facilities, and is one of the series of bonds designated "Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E[-1/-2]" (the "Series 2019E[-1/-2] Bonds") in the aggregate principal amount of $__________. The Series 2019E[-1/-2] Bonds are issued pursuant to the Master Indenture, dated as of February 1, 2015, as supplemented by the First Supplemental Indenture, dated as of September 1, 2015, the Second

Supplemental Indenture, dated as of March 1, 2016, the Third Supplemental Indenture, dated as of November 1, 2017, and the Fourth Supplemental Indenture, dated as of __________ 1, 2019 (collectively, the "Indenture"), each by and among the Authority, the County of Los Angeles (the "County") and the Trustee. This reference incorporates the Indenture herein, and by acceptance hereof the owner of this Bond assents to said terms and conditions. The Series 2019E Bonds are on a parity with the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects), 2015 Series A, the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series B (Tax-Exempt), the Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series C (Federally Taxable) and the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2016 Series D (collectively, the "Prior Bonds"), previously issued pursuant to the terms of the Indenture and the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E[-1/-2] issued concurrently herewith pursuant to the terms of the Indenture. Pursuant to and as more particularly provided in the Indenture, additional bonds ("Additional Bonds") may be issued by the Authority secured by a lien on a parity with the lien securing the Prior Bonds and the Series 2019E[-1/-2] Bonds. The Prior Bonds, the Series 2019E Bonds, the Series 2019E[-1/-2] and any Additional Bonds are collectively referred to as the "Bonds." The Indenture is entered into, and this Bond is issued under, the Marks-Roos Local Bond Pooling Act of 1985 (the "Act") and the laws of the State of California. Capitalized undefined terms used herein have the meanings ascribed thereto in the Indenture.

Reference is hereby made to the Indenture and to any and all amendments thereof and supplements thereto for a description of the agreements, conditions, covenants and terms securing the Bonds, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights, duties and immunities of the Trustee, for the rights and remedies of the Owners of the Bonds with respect thereto and for the other agreements, conditions, covenants and terms upon which the Bonds are issued thereunder, to all of which provisions the Registered Owner by acceptance hereof, assents and agrees.

The Bonds are special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the County or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds. The Lease Revenues consist of all Base Rental Payments payable by the County pursuant to the Master Sublease, dated as of February 1, 2015, as supplemented by the First Amendment to Master Sublease, dated as of September 1, 2015, the Second Amendment to Master Sublease, dated as of March 1, 2016, and the Third Amendment to Master Sublease, dated as of __________ 1, 2019 (collectively, the "Sublease"), each by and between the County, as lessee, and the Authority, as lessor, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Sublease upon an Event of Default. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Lease Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund) are pledged to the payment of the principal of and interest on the Bonds as provided therein, and the Lease Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. Said pledge constitutes a first lien on such assets. In order to secure such pledge of the Lease Revenues, the Authority has sold assigned and transferred to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Site Lease and the Sublease, including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Sublease in the event of a default by the County thereunder; provided, however, that the Authority has retained the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Sublease.

The Series 2019E Bonds are authorized to be issued in the form of fully registered bonds in denominations of $5,000 or any integral multiple thereof ("Authorized Denominations").

The Series 2019E Bonds are subject to redemption at the times, in the manner, at the redemption prices and upon notice as specified in the Indenture.

Any Bond may, in accordance with its terms, be transferred upon the Registration Books by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds of the same Series and maturity in a like aggregate principal amount, in any Authorized Denomination. The Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of the same Series and maturity of other Authorized Denominations. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

To the extent and in the manner permitted by the terms of the Indenture, the provisions of the Indenture may be amended or supplemented by the parties thereto.

The Indenture contains provisions permitting the Authority to make provision for the payment of interest on, and the principal and premium, if any, of any of the Bond so that such Bonds shall no longer be deemed to be outstanding under the terms of the Indenture.

This Bond shall not be entitled to any benefit, protection or security under the Indenture or become valid or obligatory for any purpose until the certificate of authentication and registration hereon endorsed shall have been executed and dated by an authorized signatory of the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company to the Trustee for registration of transfer, exchange or payment, and any Bond 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.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, the Authority has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of its Chair of the Authority, attested by the manual or facsimile signature of the Secretary, all as of the Dated Date identified above.

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

By:___________________________________
Chair

Attest:

____
Secretary

FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Series 2019E[-1/-2] Bonds described in the within-mentioned Indenture and registered on the Registration Books.

Date: __________, 2019

ZIONS BANKCORPORATION, NATIONAL ASSOCIATION

By:____________________________________
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____________________________________ whose address and social security or other tax identifying number is _______________________, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _______________________________________ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: __________

Signature Guaranteed:

____
Note: Signature(s) must be guaranteed by an eligible guarantor.

____
Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

DESCRIPTION OF THE PROJECT

East Antelope Valley Animal Care Center Project. The East Antelope Valley Animal Care Center is located on a 5.94-acre County-owned property located in Palmdale that was constructed in 2016. The new Animal Care Center is a 25,889 square-feet indoor facility, which includes a public entry lobby; space for public adoption and animal relinquishment, control, quarantine, and euthanasia; a veterinary and spay/neuter clinic; and staff and administration areas.

Martin Luther King Jr. Medical Campus Parking Structure. The Martin Luther King Jr. Medical Campus Parking Structure that was completed in 2018 is a six-level parking structure located at 12021 South Wilmington Avenue on the southeast corner of the Martin Luther King Jr. Medical Campus that occupies approximately 452,471 square-feet of gross building area, with 1,400 parking spaces to accommodate the parking needs of the medical campus.

Rancho Los Amigos National Rehabilitation Center - North Campus. The North Campus of Rancho Los Amigos National Rehabilitation Center is located on a 49.07-acre property at 7601 East Imperial Highway in the City of Downey. The newly constructed improvements consist of an extension of the pre-existing Jacquelin Perry Institute (JPI) building, an expansion of the pre-existing parking structure, a new outpatient facility building, a new warehouse, and the Don Knabe Wellness Center building which includes patient fitness areas, a gymnasium with accessible equipment for self-directed exercises and classes, and a pool for aquatic therapy.

Fire Station 143. Fire Station 143 is a new 9,700 square-foot fire station completed in 2016 that is located on a 1.1-acre County-owned property in Valencia. The facility provides improved fire protection, emergency medical, and life safety services to the Santa Clarita Valley. The facility consists of a two-bay apparatus room, main office, day room, kitchen, exercise room, and dormitory quarters for seven personnel.

Probation Department Building Renovation. The Probation Department Building is located on a 0.70-acre property at 3965 South Vermont Avenue in the City of Los Angeles and consists of a three-story office building with approximately 60,060 square-feet of office space and a four-story parking structure with rooftop parking. The building, which was originally constructed in 1965, has undergone a substantial renovation that was completed in 2018. The renovated Probation Department Building provides office space for the Probation Department’s Juvenile and Adult Services operations, as well as other County departments. The building serves as a one-stop community re-entry center that provides rehabilitation and re-entry services and aid to adult probationers.

Music Center Plaza Improvement Project. The Music Center Plaza is located at 135 N. Grand Avenue in the City of Los Angeles. The Music Center Plaza Improvement Project includes the following components: 1) leveling and refinishing the Music Center Plaza surface to align with the Dorothy Chandler Pavilion and Mark Taper Forum; 2) reconstructing the existing Grand Avenue staircase with a more narrow staircase flanked on both sides by donor panels and escalators; 3) relocating the 50-foot-tall “Peace on Earth” Lipchitz sculpture in the center of the Music Center Plaza towards Hope Street; and 4) reconfiguring the existing food, beverage, and information facilities around the Music Center Plaza by creating four new, permanent structures, and adding new public restrooms to replace the existing restroom trailer.

LOS ANGELES COUNTY
PUBLIC WORKS FINANCING AUTHORITY
LEASE REVENUE BONDS, 2019 SERIES E

consisting of

$__________	**$__________**
2019 Series E-1	**2019 Series E-2**

BOND PURCHASE AGREEMENT

____________, 2019

Los Angeles County Public Works Financing Authority
Los Angeles, California

Board of Supervisors
County of Los Angeles, California
Los Angeles, California

Ladies and Gentlemen:

The undersigned, Citigroup Global Markets Inc., as Representative (the "Representative") on behalf of itself and the other underwriters set forth on Exhibit A hereto (the "Underwriters"), offers to enter into this Bond Purchase Agreement (the "Bond Purchase Agreement") with the Los Angeles County Public Works Financing Authority (the "Authority") and the County of Los Angeles (the "County"), a political subdivision of the State of California (the "State"), which, upon acceptance of this offer by the Authority and the County, will be binding upon the Authority, the County and the Underwriters. This offer is made subject to receipt by the Underwriters of the documents referred to in Section 10 hereof and to acceptance by the Authority and the County by execution and delivery of this Bond Purchase Agreement to the Underwriters at or prior to 8:00 p.m., California time, on the date first above written, and if not so accepted will be subject to withdrawal by the Underwriters upon notice delivered to the Authority and the County at any time prior to the acceptance hereof by the Authority and the County. Capitalized terms in this Bond Purchase Agreement that are not otherwise defined herein shall have the meanings given to such terms in the Indenture (as defined herein).

1. Purchase and Sale. Upon the terms and conditions and upon the basis of the representations, warranties, covenants and agreements hereinafter set forth, the Underwriters hereby agree to purchase from the Authority to offer to the public, and the Authority hereby agrees to cause, Zions Bank, a Division of ZB, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, formerly known as Zions First National Bank, as Trustee ("the Trustee"), to deliver to the Underwriters for such purpose, all (but not less than all), in the manner provided herein, of the Authority's (a) $_______ aggregate principal amount of Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-1 (the "Series 2019E-1 Bonds"), and (b) $_______ aggregate principal amount of Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2 (the "Series 2019E-2 Bonds" and, together with the Series 2019E-1 Bonds, the "Series 2019E Bonds"). The Series 2019E Bonds are being issued pursuant to the Master Indenture, dated as of February 1, 2015, by and among the County, the Authority and the Trustee, as amended and supplemented by the First Supplemental Indenture, dated as of September 1, 2015, and the Second Supplemental Indenture, dated as of March 1, 2016 (collectively, the "Second Amended Indenture"), each by and among the County, the Authority and the Trustee, and as further amended and supplemented by the Third Supplemental Indenture, dated as of _______ 1, 2019, by and among the County, the Authority and the Trustee (the Second Amended Indenture, as so amended and supplemented, the "Indenture").

The Series 2019E Bonds shall be delivered in fully registered form in denominations of $5,000 or any integral multiple thereof. The Series 2019E Bonds shall be dated their date of delivery and mature on the dates and in the principal amounts, and shall be computed at the interest rates, all as shown in Exhibit B. Interest on the Series 2019E Bonds will be payable semiannually each June 1 and December 1, commencing on ________ 1, 20__. The Series 2019E Bonds shall otherwise be as described in the Official Statement (as defined herein), and be subject to redemption as provided therein.

The aggregate purchase price of the Series 2019E-1 Bonds shall be $__________ representing the aggregate principal amount of the Series 2019E-1 Bonds, [plus/less] [a net] original issue [premium/discount] of $_________ and less underwriters' discount of $_______. The aggregate purchase price of the Series 2019E-2 Bonds shall be $___________ representing the aggregate principal amount of the Series 2019E-2 Bonds, [plus/less] [a net] original issue [premium/discount] of $_________ and less underwriters' discount of $_______.

The Authority and the County acknowledge and agree that: (a) the purchase and sale of the Series 2019E Bonds pursuant to this Bond Purchase Agreement is an arm's-length commercial transaction between (i) the Authority and the County and (ii) the Underwriters; (b) the Underwriters are acting solely as underwriters and principals in connection with the matters contemplated by and all communications under this Bond Purchase Agreement, and are not acting as the agents or fiduciaries or Municipal Advisors (as defined in Section 15B of the Securities and Exchange Act of 1934) of the Authority or the County and their advisors in connection with the matters contemplated by this Bond Purchase Agreement; (c) the Underwriters have financial and other interests that differ from those of the Authority and the County; and (d) in connection with the purchase and sale of the Series 2019E Bonds, the Authority and the County have consulted their own financial, legal and other advisors to the extent they have deemed appropriate. The Authority and the County also acknowledge that they previously received from each of the Underwriters a letter regarding Municipal Securities Rulemaking Board ("MSRB") Rule G-17 Disclosures, and that they have provided to the Underwriters acknowledgements of such letters.

2. **The Series 2019E Bonds.** The Series 2019E Bonds shall be issued in accordance with Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the California Government Code (the "Act"), the Indenture, a Resolution of the Authority approving the issuance of the Series 2019E Bonds and certain matters relating thereto (the "the Authority Resolution"), and a Resolution of the County approving the issuance of the Series 2019E Bonds and certain matters relating thereto (the "County Resolution").

The Series 2019E Bonds are special obligations of the Authority that are secured and payable solely from Lease Revenues (as that term is defined in the Indenture), including Base Rental Payments (as that term is defined in the Indenture) payable by the County pursuant to the Master Sublease Agreement, dated as of February 1, 2015, by and between the County and the Authority, as supplemented by the First Amendment to Master Sublease, dated as of September 1, 2015, and the Second Amendment to Sublease, dated as of March 1, 2016 (collectively, the "Second Amended Sublease"), each by and between the County and the Authority, and as further amended and supplemented by the Third Amendment to Sublease, dated as of _______ 1, 2019 (the Second Amended Sublease, as so amended and supplemented, the "Sublease"), by and between the County and the Authority, relating to certain real properties and improvements located thereon (the "Property"), and the other assets pledged thereafter under the Indenture. In connection therewith, the County and the Authority have entered into the Master Site Lease, dated as of February 1, 2015, as amended and supplemented by the First Amendment to Master Site Lease, dated as of September 1, 2015, and the Second Amendment to Site Lease, dated as of March 1, 2016 (the "Second Amended Site Lease"), each by and between the County and the Authority, and as further amended and supplemented by the Third Amendment to Site Lease, dated as of _______ 1, 2019 (the Second Amended Site Lease, as so amended and supplemented, the "Site Lease"), by and between the County and the Authority, providing for the lease of the Property by the County to the Authority. The Sublease provides for the sublease of the Property from the Authority back to the County. Pursuant to the Second Amended Indenture, the Authority has assigned to the Trustee certain of its rights, title and interest in and to the Second Amended Site Lease and the Second Amended Sublease and will further assign to the Trustee certain of its rights, title and interest in and to the Site Lease and the Sublease, as amended.

3. **Purpose of the Series 2019E Bonds.** The proceeds of the Series 2019E Bonds will be used to (a) finance and refinance certain capital improvement projects described in the Official Statement, including payment of certain Lease Revenue Obligation Commercial Paper Notes issued by the Los Angeles County Capital Asset Leasing Corporation for, among other purposes, the financing of a portion of the costs of the acquisition, construction, renovation, improvement or equipping of certain capital expenditures relating to Fire Station 143, the East Antelope Valley Animal Care Center Project, the Martin Luther King Jr. Medical Campus Parking Structure, the Rancho Los Amigos National Rehabilitation Center Hospital Renovation, the Los Angeles County Probation Department Building Renovation and The Music Center Plaza Renovation, and (b) pay certain costs of issuance incurred in connection with the issuance of the Series 2019E Bonds.

4. **Offering.** (a) It shall be a condition to the Authority's obligation to sell and issue the Series 2019E Bonds to the Underwriters and to the Underwriters' obligations to purchase, to accept delivery of and to pay for Series 2019E Bonds that the entire aggregate principal amount of the Series 2019E Bonds referred to in Section 1 shall be issued by the Authority and purchased, accepted and paid for by the Underwriters at Closing (as defined herein). The Underwriters agree to make an initial public offering of all of the Series 2019E Bonds at the public offering prices (or yields) set forth on Exhibit B attached hereto and incorporated herein by reference. Subject to the provisions set forth in Section 5 below, subsequent to the initial public offering, the Underwriters reserve the right to change the public offering prices (or yields) as the Underwriters deem necessary in connection with the marketing of the Series 2019E Bonds, provided that the Underwriters shall not change the interest rates set forth on Exhibit B. Subject to the provisions set forth in Section 5 below, the Series 2019E Bonds may be offered and sold to certain dealers (including dealers depositing the Series 2019E Bonds into investment trusts) at prices lower than such initial public offering prices. The County and the Authority hereby authorize the use by the Underwriters of this Bond Purchase Agreement, the Indenture, the Sublease, the Site Lease, the Authority Resolution, the County Resolution, the Continuing Disclosure Certificate (hereinafter defined), and the Official Statement, and any supplements or amendments thereto, and the information contained in each of such documents, in connection with the public offering and sale of the Series 2019E Bonds (each as defined herein and, collectively, the "Legal Documents").

(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 MSRB through its Electronic Municipal Market Access system; and

(ii) to comply with rules of the Securities & Exchange Commission and the MSRB which are applicable to the Underwriters governing the offering, sale and delivery of the Series 2019E Bonds to the ultimate purchasers.

5. Establishment of Issue Price.

(a) The Representative, on behalf of the Underwriters, agrees to assist the Issuer in establishing the issue price of the Series 2019E Bonds and shall execute and deliver to the Issuer at Closing an "issue price" or similar certificate substantially in the form attached hereto as Exhibit C, together with the supporting pricing wires or equivalent communications, with modifications to such certificate as may be deemed appropriate or necessary, in the reasonable judgment of the Representative, the Issuer and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2019E Bonds.

(b) *[Include bracketed language if 10% test has not been satisfied for any maturity(ies) as of the sale date.]* [Except for the maturities forth in Exhibit B attached hereto,] the Issuer will treat the first price at which 10% of each maturity of the Series 2019E Bonds (the "10% test") is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test).

(c) *[Include the following section if 10% test has not been satisfied for any maturity(ies) as of the sale date:]* [The Representative confirms that the Underwriters have offered the Series 2019E Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the final official statement. Exhibit B sets forth, as of the date of this Bond Purchase

Agreement, the maturities, if any, of the Series 2019E Bonds for which the 10% test has not been satisfied and for which the Issuer and the Representative, on behalf of the Underwriters, agree that (i) the Representative will retain the unsold Series 2019E Bonds of each maturity for which the 10% test has not been satisfied and not allocate any such Series 2019E Bonds to any other Underwriter and (ii) the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Series 2019E Bonds, the Representative will] neither offer nor sell unsold Series 2019E Bonds of that maturity 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 (5^{th}) business day after the sale date; or

(ii) the date on which the Underwriters have sold at least 10% of that maturity of the Series 2019E Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative shall promptly advise the Issuer or the Issuer's municipal advisor when the Underwriters have sold 10% of that maturity of the Series 2019E Bonds 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.

The Issuer 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 Series 2019E Bonds 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 Series 2019E Bonds 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 Issuer 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 agreement regarding the hold-the-offering-price rule as applicable to the Series 2019E Bonds.

(d) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the Representative is a party) relating to the initial sale of the Series 2019E Bonds 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 Securities of each maturity allotted to it until it is notified by the Representative that either the 10% test has been satisfied as to the Series 2019E Bonds of that maturity or all Securities 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 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 Series 2019E Bonds 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 Series 2019E Bonds 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 Securities of each maturity allotted to it until it is notified by the Representative or the Underwriter that either the 10% test has been satisfied as to the Series 2019E Bonds of that maturity or all Securities 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.

(e) The Underwriters acknowledge that sales of any Securities 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 Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2019E Bonds 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 Series 2019E Bonds 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 Series 2019E Bonds to the public),

(iii) a purchaser of any of the Series 2019E Bonds 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 Bond Purchase Agreement by all parties.

6. Official Statement. Upon the Authority's and the County's acceptance of this offer, the Authority and the County shall be deemed to have ratified, approved and confirmed the Preliminary Official Statement dated ____________, 2019 (together with any appendices thereto, any documents incorporated therein by reference and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Preliminary Official Statement") with respect to the Series 2019E Bonds, in connection with the public offering and sale of the Series 2019E Bonds by the Underwriters. The Authority shall deliver the Official Statement to the Underwriters (a) in "designated electronic format" (as defined in Rule G-32 of the Municipal Securities Rulemaking Board) and (b) in printed form in such quantities as the Underwriters shall reasonably request, dated the date hereof, substantially in the form of the Preliminary Official Statement, with only such changes as shall have been accepted by the Representative (said document, including its cover page, inside cover page and appendices, as the same may be amended and supplemented in accordance with this Bond Purchase Agreement and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the "Official Statement"), approved for distribution pursuant to the Authority Resolution and the County Resolution. The Authority shall, as soon as practicable, but not later than seven (7) business days from the date hereof, deliver to the Underwriters such copies of the Official Statement 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 the failure of the County to comply with this requirement 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 Series 2019E Bonds.

7. Representations, Warranties and Agreements of the County. The County hereby represents, warrants and agrees with the Underwriters as follows:

(a) the County is, and will be on the date of Closing, a political subdivision of the State organized and operating pursuant to the Constitution and laws of the State with the full power and authority to execute and deliver the Legal Documents to be executed by it and to own its properties and to carry on its business as presently conducted;

(b) by official action of the County, prior to or concurrently with the acceptance hereof, the County 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 Legal Documents to be executed by it and the consummation by it of all other transactions contemplated by the Legal Documents;

(c) this Bond Purchase Agreement, the Preliminary Official Statement and the Official Statement have been, as of the date hereof, and the other Legal Documents will have been as of the date of Closing, duly authorized, executed and delivered by the County and constitute legal, valid and binding agreements of the County, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought;

(d) to the best knowledge of the County, the execution and delivery of the Legal Documents by the County and compliance with the provisions on the County's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or to which the County or any of the Property or its assets is otherwise subject, 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 properties or assets of the County under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Legal Documents executed by the County;

(e) to the best knowledge of the County, the County is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject, which breach or default would materially adversely affect the County's ability to enter into or perform its obligations under the Legal Documents to be executed by it, and, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default;

(f) to the best knowledge of the County, and except as disclosed in the Preliminary Official Statement and in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending in which service of process has been completed against the County or threatened against the County in any material respect affecting the existence of the County or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the adoption of the County Resolution or the payment of Base Rental Payments as required under the Sublease or in any way contesting or affecting the validity or enforceability of the Act or the Legal Documents or contesting the powers of the County or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Legal Documents to be executed by the County or this Bond Purchase Agreement or that could have a material adverse impact upon the ability of the County to enter into or perform its obligations under such documents or that may result in any material adverse change in the business, properties, assets or the financial condition of the County or in any way contesting the existence or powers of the County;

(g) the County will furnish such information, execute such instruments and take such other actions in cooperation with the Representative as the Representative may reasonably request in order (i) to qualify the Series 2019E Bonds for offer and sale under the blue sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate and (ii) to determine the eligibility of the Series 2019E Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Series 2019E Bonds; provided, however, that in no event shall the County be required to qualify to do business or consent to service of process in any jurisdiction without its approval;

(h) the information contained in the Preliminary Official Statement was, as of the date thereof, and is, as of the date hereof (excluding any information permitted to be omitted pursuant to Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12")), and the information contained in the Official Statement is and will be, as of the date hereof and as of the date of Closing, true and correct in all material respects and such information did not, does not and will not, as applicable, contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) if between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Series 2019E Bonds, an event occurs which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the County will notify the Representative, and, if in the reasonable opinion of the Representative, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the County shall cooperate with the Authority in preparing and furnishing to the Underwriters (at the expense of the County) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters) that will amend or supplement the Official Statement so that it will not contain an 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 existing at the time the Official Statement is delivered to prospective purchasers, not misleading; provided that, for the purposes of this subsection, between the date hereof and the date that is 25 days after the End of the Underwriting Period for the Series 2019E Bonds, the County will furnish such information with respect to itself as the Representative may from time to time reasonably request; provided, further, as used in this Bond Purchase Agreement, the term "End of the Underwriting Period" for the Series 2019E Bonds shall mean the earlier of (i) the date of Closing unless the County and the Authority shall have been notified in writing to the contrary by the Representative on or prior to said date or (ii) the date on which the End of the Underwriting Period for the Series 2019E Bonds has occurred under Rule 15c2-12, provided, however, that the County and the Authority may treat as the End of the Underwriting Period for the Series 2019E Bonds as the date specified as such in a notice from the Representative stating the date that is the End of the Underwriting Period;

(j) if the information contained in the Official Statement is amended or supplemented pursuant to the terms hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Series 2019E Bonds, the County will further amend or supplement the Official Statement so that the Official Statement, as supplemented or amended (including any financial and statistical data contained therein), will not contain any untrue statement of a material fact or omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(k) except as may be required under blue sky or other securities laws of any state, no consent, approval, authorization or order of any State court or governmental body is required for the consummation by the County of the transactions contemplated by the Official Statement, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the Series 2019E Bonds by the Underwriters;

(l) after the date of Closing, the County will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Representative shall reasonably object in writing or which shall be disapproved by counsel for the Underwriters;

(m) except as set forth in the Official Statement, the County has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12;

(n) the financial statements of, and other financial information regarding, the County contained 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, to the best of the County's knowledge, (i) the audited financial statements have been prepared in accordance with generally accepted accounting principles consistently applied, and (ii) the other financial information has been determined on a basis substantially consistent with that of the County's audited financial statements included in the Official Statement;

(o) any certificate signed by an Authorized County Representative and delivered to the Representative pursuant to this Bond Purchase Agreement shall be deemed a representation and warranty by the County to each of the Underwriters as to the truth of the statements therein made; and

(p) the exceptions set forth in the preliminary title report with respect to the Property, subject to permitted encumbrances, do not, and the exceptions set forth in the policy or policies of title insurance will not, materially impair the value of the Property, the existing facilities thereon or the sites thereof, nor materially impair the County's enjoyment of the same for any purposes for which they are, or may reasonably be expected to be, used.

8. Representations, Warranties and Agreements of the Authority. The Authority represents, warrants and agrees with the Underwriters as follows:

(a) the Authority is, and will be on the date of Closing, a joint exercise of powers authority duly organized and operating pursuant to Chapter 5, Division 7, Title 1 of the California Government Code with the full power and authority to issue the Series 2019E Bonds, execute and deliver the Legal Documents to be executed by it and own its properties and carry on its business as presently conducted;

(b) by official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Legal Documents to be executed by it and the consummation by it of all other transactions contemplated by the Legal Documents;

(c) this Bond Purchase Agreement, the Preliminary Official Statement and the Official Statement have been, as of the date hereof, and the other Legal Documents and the Series 2019E Bonds will have been as of the date of Closing, duly authorized, executed and delivered by the Authority and constitute legal, valid and binding agreements of the Authority, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought;

(d) to the best knowledge of the Authority, the issuance of the Series 2019E Bonds and the execution and delivery of the Legal Documents by the Authority and compliance with the provisions on the Authority's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, 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 properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Series 2019E Bonds or the Legal Documents executed by the Authority;

(e) to the best knowledge of the Authority, the Authority is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which breach or default would materially adversely affect the Authority's ability to issue the Series 2019E Bonds or enter into or perform its obligations under the Legal Documents to be executed by it, and, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default;

(f) to the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending in which service of process has been completed against the Authority or threatened against the Authority in any material respect affecting the existence of the Authority or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the adoption of the Authority Resolution or the sale, execution or delivery of the Series 2019E Bonds or the payment of principal and interest on the Series 2019E Bonds or in any way contesting or affecting the validity or enforceability of the Series 2019E Bonds, the Legal Documents or contesting the powers of the Authority or its authority to enter into, adopt or perform its obligations under any of the foregoing, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or any amendment or supplement thereto, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Legal Documents to be executed by the Authority or this Bond Purchase Agreement or that could have a material adverse impact upon the ability of the Authority to issue the Series 2019E Bonds or enter into or perform its obligations under such documents or that may result in any material adverse change in the business, properties, assets or the financial condition of the Authority or in any way contesting the existence or powers of the Authority;

(g) the Authority will furnish such information, execute such instruments and take such other actions in cooperation with the Representative as the Representative may reasonably request in order (i) to qualify the Series 2019E Bonds for offer and sale under the blue sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Representative may designate and (ii) to determine the eligibility of the Series 2019E Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Series 2019E Bonds; provided, however, that in no event shall the Authority be required to qualify to do business or consent to service of process in any jurisdiction without its approval;

(h) the information contained in the Preliminary Official Statement was, as of the date thereof, and is, as of the date hereof (excluding any information permitted to be omitted pursuant to Rule 15c2-12), and the information contained in the Official Statement is and will be, as of the date hereof and as of the date of Closing, true and correct in all material respects and such information did not, does not and will not, as applicable, contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(i) if between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Series 2019E Bonds, an event occurs which might or would cause the information contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the Authority will notify the Representative, and, if in the reasonable opinion of the Underwriters, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority shall forthwith prepare and furnish to the Underwriters (at the expense of the County) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to counsel for the Underwriters) that will amend or supplement the Official Statement so that it will not contain an 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 existing at the time the Official Statement is delivered to prospective purchasers, not misleading; provided that, for the purposes of this subsection, between the date hereof and the date that is 25 days after the End of the Underwriting Period for the Series 2019E Bonds, the Authority will furnish such information with respect to itself as the Representative may from time to time reasonably request;

(j) if the information contained in the Official Statement is amended or supplemented pursuant to the terms hereof, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subparagraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Series 2019E Bonds, the Authority will further amend or supplement the Official Statement so that the Official Statement, as supplemented or amended (including any financial and statistical data contained therein), will not contain any untrue statement of a material fact or omit to state a material fact necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(k) except as may be required under blue sky or other securities laws of any state, no consent, approval, authorization or order of any State court or governmental body is required for the consummation by the Authority of the transactions contemplated by the Official Statement, except such as have been obtained and except such as may be required under state securities or blue sky laws in connection with the purchase and distribution of the by the Underwriters;

(l) after the date of Closing, the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Representative shall reasonably object in writing or which shall be disapproved by counsel for the Underwriters; and

(m) any certificate signed by an Authorized Authority Representative and delivered to the Representative pursuant to this Bond Purchase Agreement shall be deemed a representation and warranty by the Authority to each of the Underwriters as to the truth of the statements therein made.

9. Closing. At 8:00 a.m., California time, on ________, 2019, or at such other date and time as shall have been mutually agreed upon by the Authority, the County and the Representative, the Authority will issue or cause to be issued to the Representative the Series 2019E Bonds in definite form duly executed and authenticated by the Trustee in book-entry form through the facilities of The Depository Trust Company, New York, New York ("DTC") as described below, or at such other place upon which the Representative, the Authority and the County may mutually agree, and the other documents hereinafter mentioned shall be delivered at the office of Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California ("Bond Counsel"), or at such other place as shall have been mutually agreed upon by the Authority, the County and the Representative. Subject to the terms and conditions hereof, the Representative will accept delivery of the Series 2019E Bonds and pay the purchase price thereof as set forth herein in federal or other immediately available funds (such delivery of and payment for the Series 2019E Bonds is herein called the "Closing"). The Series 2019E Bonds shall be prepared and delivered to the Representative on the date of Closing in the form of one certificate for each maturity of the Series 2019E Bonds, fully registered in the name of Cede & Co., as nominee of DTC.

10. Closing Conditions. The Underwriters have entered into this Bond Purchase Agreement in reliance upon the representations, warranties and agreements of the Authority and the County contained herein, the representations, warranties and agreements to be contained in the documents and instruments to be delivered at Closing and upon the performance by the Authority and the County of their respective obligations herein, both as of the date hereof and as of the date of Closing. Accordingly, the Underwriters' obligations under this Bond Purchase Agreement to purchase, accept issuance of, and pay for the Series 2019E Bonds shall be conditioned upon the performance by the Authority and the County of their obligations to be performed herein and the accuracy and delivery of the documents and instruments required to be delivered hereby at or prior to the date of Closing, and shall also be subject to the following additional conditions:

(a) the representations and warranties of the Authority and the County contained or incorporated herein shall be true, complete and correct in all material respects at the date hereof and on and as of the date of Closing as if made on the date of Closing;

(b) at the time of Closing, the Legal Documents shall be in full force and effect as valid and binding agreements between the various parties thereto, and the Legal Documents and the Official Statement shall not have been amended, modified or supplemented after the date thereof except as may have been agreed to in writing by the Representative, there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby and by the Legal Documents and the County and the Authority shall have performed their obligations required under or specified in the Legal Documents to be performed at or prior to Closing;

(c) at the time of Closing, all official actions of the Authority and the County relating to the Legal Documents and the Series 2019E Bonds shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any material respect from the date hereof except as may have been agreed to in writing by the Representative;

(d) at the time of Closing, the Official Statement (as amended and supplemented) shall be true and correct in all material respects, and shall not omit any statement or information necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(e) at or prior to the time of Closing, the Representative shall receive the following documents, in each case reasonably satisfactory in form and substance to the Representative:

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

(ii) a certified copy of the Statement of Facts Roster of Public Agencies Filing of the Authority, together with all amendments thereto;

(iii) executed copies of the Legal Documents;

(iv) the unqualified approving opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, Bond Counsel, dated the date of Closing and addressed to the Authority and the County, substantially in the form set forth in Appendix F to the Official Statement, together with a letter of such counsel, dated the date of Closing and addressed to the Underwriters, to the effect that the foregoing approving legal opinion addressed to the Authority and the County may be relied upon by the Underwriters to the same extent as if such letter were addressed to them;

(v) a supplemental opinion of Bond Counsel dated the date of Closing and addressed to the Underwriters to the effect that:

(A) this Bond Purchase Agreement and the Continuing Disclosure Certificate of the County (the "Continuing Disclosure Certificate") have been duly authorized, executed and delivered by the County and, assuming due authorization, execution and delivery by the other party thereto (if any), constitute the valid and binding agreements of the County, enforceable against the County in accordance with their respective terms, except as the same may be limited by bankruptcy, moratorium, insolvency, reorganization or other laws relating to or affecting the enforcement of creditors' rights generally, by the exercise of judicial discretion in accordance with general principles of equity or otherwise in appropriate cases (regardless of whether such enforceability is considered in a proceeding in equity or at law) and by the limitation upon legal remedies against public agencies in the State;

(B) the Series 2019E Bonds are exempt from the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(C) the statements contained in the Official Statement under the captions "THE SERIES 2019E BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019E BONDS" and "TAX MATTERS," and in APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTs," insofar as such statements purport to summarize certain provisions of the Series 2019E Bonds, the Site Lease, the Sublease and the Indenture, and applicable Federal and State tax law, are accurate in all material respects;

(vi) an opinion of Hawkins, Delafield & Wood LLP, as Disclosure Counsel, addressed to the Authority and the County, together with a reliance letter with respect thereto addressed to the Underwriters, in substantially the form of Exhibit D hereto;

(vii) an opinion of the County Counsel, as counsel to the County, dated the date of Closing and addressed to the Underwriters to the effect that:

(A) the County is a political subdivision of the State, duly organized and validly existing pursuant to the laws and Constitution of the State, and has full legal right, power and authority to execute and deliver, and to perform its obligations under, the Legal Documents to which it is a party;

(B) the County Resolution was duly adopted at a meeting of the Board of Supervisors of the County, as the governing board of the County, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption;

(C) the Legal Documents to which the County is a party have been duly authorized, executed and delivered by the County, and, assuming due authorization, execution and delivery by the other respective parties thereto, constitute legal, valid and binding obligations of the County, enforceable against the County in accordance with their respective terms;

(D) to the best of County Counsel's knowledge, the County is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject, which breach or default would materially adversely affect the County's ability to enter into or perform its obligations under the Legal Documents to be executed by it, and, to the best of County Counsel's knowledge, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default; and the execution and delivery of the Legal Documents by the County and compliance with the provisions on the County's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument known to County Counsel after reasonable inquiry to which the County is a party or to which the County or the Property or its assets is otherwise subject, 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 properties or assets of the County under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Legal Documents executed by the County;

(E) to the best of County Counsel's knowledge, and except as disclosed in the Official Statement, 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 against the County 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 County's covenant to make the necessary annual appropriations for all the Base Rental Payments as required under the Sublease or contesting or affecting as to the County the validity or enforceability of the Act or the Legal Documents, or contesting the tax exempt status of payment and interest as would be received by the Owners of the Series 2019E Bonds, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or contesting the powers of the County or any authorization in connection with the adoption of the County Resolution, or the execution and delivery by the County of the Legal Documents to which the County is party wherein an unfavorable decision, ruling or finding which would materially adversely affect the validity or enforceability of the Act as to the County or the performance by the County of its obligations under and in connection with the Legal Documents to which the County is a party; and

(F) the preparation and distribution of the Official Statement have been duly authorized by the Board of Supervisors of the County;

(viii) an opinion of the County Counsel, as counsel to the Authority, dated the date of Closing and addressed to the Underwriters to the effect that:

(A) the Authority is a joint exercise of powers authority duly organized and operating pursuant to Chapter 5, Division 7, Title 1 of the California Government Code, and has full legal right, power and authority to execute and deliver, and to perform its obligations under the Legal Documents to which it is a party and the Series 2019E Bonds;

(B) the Authority Resolution was duly adopted at a meeting of the Board of Directors of the Authority, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting at the time of adoption;

(C) the Legal Documents and the Series 2019E Bonds have been duly authorized, executed and delivered and issued, as applicable, by the Authority and, assuming due authorization, execution and delivery by the other respective parties thereto, constitute legal, valid and binding obligations of the Authority, enforceable against the Authority in accordance with their respective terms;

(D) to the best of County Counsel's knowledge, the Authority is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, which breach or default would materially adversely affect the Authority's ability to issue the Series 2019E Bonds or enter into or perform its obligations under the Legal Documents to be executed by it, and, to the best of County Counsel's knowledge, no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a breach or default; the issuance of the Series 2019E Bonds and the execution and delivery of the Legal Documents by the Authority and compliance with the provisions on the Authority's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument known to County Counsel after reasonable inquiry to which the Authority is a party or is otherwise subject, 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 properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Series 2019E Bonds or Legal Documents executed by the Authority; and the issuance of the Series 2019E Bonds and the execution and delivery of the Legal Documents, and compliance with the provisions on the Authority's part contained therein will not conflict with or constitute a material breach of or default under any constitutional provision, law, administrative regulation, judgment or decree or any provision of any loan agreement, indenture, bond, note, resolution, agreement or other instrument known to us after reasonable inquiry to which the Authority is a party or to which the Authority, the Property or the assets of the Authority is otherwise subject, 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 Authority or under the terms of any such law, regulation or instrument, except as expressly provided by the Series 2019E Bonds (as set forth in the Indenture), the Authority Resolution, or the Bond Purchase Agreement; and

(E) to the best of County Counsel's knowledge, and except as disclosed in the Official Statement, 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 against the Authority or threatened against the Authority affecting the corporate existence of the Authority or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the issuance or sale of the Series 2019E Bonds or the County's covenant to make the necessary annual appropriations for all the Base Rental Payments as required under the Sublease or contesting or affecting as to the Authority the validity or enforceability of the Act, the Series 2019E Bonds or the Legal Documents, or contesting the tax exempt status of payment and interest as would be received by the Owners of the Series 2019E Bonds, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or contesting the powers of the Authority or any authorization in connection with the issuance of the Series 2019E Bonds, the adoption of the Authority Resolution, or the execution and delivery by the Authority of the Series 2019E Bonds or the Legal Documents to which the Authority is a party wherein an unfavorable decision, ruling or finding which would materially adversely affect the validity or enforceability of the Act as to the Authority or the performance by the Authority of its obligations under and in connection with the Series 2019E Bonds or the Legal Documents; and

(F) the preparation and distribution of the Official Statement have been duly authorized by the Board of Directors of the Authority;

(ix) a certificate of an Authorized County Representative dated the date of Closing to the effect that:

(A) the representations and warranties of the County contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing, except that all references herein to the Preliminary Official Statement shall be deemed to be references to the Official Statement;

(B) to the best of his or her knowledge, no event affecting the County has occurred since the date of the Official Statement which should be disclosed in the Official Statement, as the same may be supplemented or amended, in order that the Official Statement not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading;

(C) the County has obtained insurance, or otherwise provided for self-insurance, as required by the Sublease and all required policies are in full force and effect and have not been revoked or rescinded;

(D) to the best knowledge of the Authorized County Representative, there does not exist any action, suit, proceeding or investigation pending in which service of process has been completed against the County, or threatened against the

County which if adversely determined, could materially adversely affect the financial position of the County; and

(E) the County has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied pursuant to the Legal Documents to which it is a party at or prior to the time of Closing;

(x) a certificate of an Authorized Authority Representative dated the date of Closing to the effect that:

(A) the representations and warranties of the Authority contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing, except that all references therein to the Preliminary Official Statement shall be deemed to be references to the Official Statement;

(B) to the best of his or her knowledge, no event affecting the Authority has occurred since the date of the Official Statement which should be disclosed in the Official Statement, as the same may be supplemented or amended, in order that the Official Statement not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading;

(C) to the best knowledge of the Authorized Authority Representative, there does not exist any action, suit, proceeding or investigation pending in which service of process has been completed against the Authority, or threatened against the Authority which if adversely determined, could materially adversely affect the financial position of the Authority; and

(D) the Authority has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied pursuant to the Legal Documents to which it is a party at or prior to the time of Closing;

(xi) a certificate of the Trustee dated the date of Closing to the effect that:

(A) the Trustee is duly organized and existing as a national banking association organized and existing under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Indenture and to authenticate and deliver the Series 2019E Bonds;

(B) the Trustee is duly authorized to enter into the Indenture, and, when the Indenture is duly authorized, executed and delivered by the other parties thereto, to deliver the Series 2019E Bonds to the Representative pursuant to the terms of the Indenture;

(C) the execution and delivery by the Trustee of the Indenture and the Series 2019E Bonds, and compliance with the terms thereof, will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or, to its best knowledge, any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any federal or state securities or blue sky laws or regulations);

(D) no authorization, approval, consent or order of any governmental agency or any other person is required for the valid authorization, execution and delivery of the Indenture by the Trustee or the delivery of the Series 2019E Bonds by the Trustee;

(E) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, that has been served on, or, to the best of the knowledge of the Trustee, threatened against or affecting the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Series 2019E Bonds or the Indenture, or contesting the powers of the Trustee or its authority to enter into and perform its obligations under any of the foregoing, or wherein an unfavorable decision, ruling or finding would adversely affect the Trustee or the transactions contemplated in connection with the delivery of the Series 2019E Bonds, or which, in any way, would adversely affect the validity of the Series 2019E Bonds or the Indenture or any agreement or instrument to which the Trustee is a party and which is used or contemplated for use in the Indenture, or the consummation of the transactions contemplated in connection with the issuance of the Series 2019E Bonds; and

(F) subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Series 2019E Bonds to the purposes specified in the Indenture;

(xii) an opinion of counsel to the Trustee dated the date of Closing addressed to the County, the Authority and the Underwriters to the effect that:

(A) the Trustee is a national banking association organized and existing under the laws of the United States, having full power and being qualified to enter, accept and administer the trust created under the Indenture and to deliver the Series 2019E Bonds; and

(B) the Series 2019E Bonds have been duly delivered by the Trustee in accordance with the Indenture, and the Indenture has been duly authorized, executed and delivered by the Trustee and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitutes the legal, valid and binding obligations of the Trustee enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought;

(xiii) an opinion of Orrick, Herrington & Sutcliffe LLP, Los Angeles, California, as counsel to the Underwriters, dated the date of Closing and addressed to the Underwriters in form reasonably satisfactory to the Representative;

(xiv) evidence of the existence and validity of a policy or policies of title insurance with respect to the Property;

(xv) certified copies of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Indenture;

(xvi) evidence that the conditions for the issuance of the Series 2019E Bonds as set forth in Sections 2.04 and 2.05 of the Second Amended Indenture have been satisfied;

(xvii) copies of the Authority Resolution certified by the Clerk of the Board of Directors of the Authority authorizing the execution and delivery of the Legal Documents to which the Authority is a party;

(xviii) copies of the County Resolution certified by the Clerk of the Board of Supervisors of the County authorizing the execution and delivery of the Legal Documents to which the County is a party;

(xix) the preliminary and final Notice of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the California Government Code and Section 8855(g) of the California Government Code;

(xx) an executed copy of the Tax Certificate for the Series 2019E Bonds, in form and substance acceptable to Bond Counsel;

(xxi) evidence that the ratings on the Series 2019E Bonds are as described in the Official Statement;

(xxii) a legal opinion of ________________, counsel to Martin Luther King, Jr. – Los Angeles (MLK-LA) Healthcare corporation ("MLK-LA"), addressed to the Representative, on behalf of the Underwriters, to the effect that MLK-LA is a California non-profit benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"), is exempt from federal income tax under Section 501(a) of the Code (except for any unrelated business income tax imposed pursuant to Section 511 of the Code), and is not a "private foundation" as defined in Section 509(a) of the Code; and

(xxiii) such additional legal opinions, certificates, instruments and other documents as Bond Counsel or the Underwriters may reasonably request to evidence compliance by the Trustee, the County and the Authority with legal requirements, the truth and accuracy, as of the time of Closing, of the representations contained herein and in the Official Statement, the lack of any material adverse litigation or proceeding and the due performance or satisfaction by the Trustee, the Authority and the County, at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

11. Termination. The Representative shall have the right to terminate in its discretion the Underwriters' obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Series 2019E Bonds by notifying the County or Authority of its election to do so if, after the execution hereof and prior to Closing:

(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 Series 2019E Bonds, 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 shall be includable in such gross income as of the date hereof;

(b) any action shall have been taken by the 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 any indenture under the Trust Indenture Act of 1939, as amended, in connection with the public offering of the Series 2019E Bonds, 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 or Authority, its property or income, its bonds or notes (including the Series 2019E Bonds) or the interest thereon, which in the reasonable judgment of the Representative would materially adversely affect the market price or marketability of the Series 2019E Bonds or make it impracticable to market the Series 2019E Bonds on the terms and in the manner contemplated in the Official Statement;

(d) (i) trading of any securities of the County or Authority shall have been suspended on any exchange or in any over-the-counter market, (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 Series 2019E Bonds 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 an outbreak or escalation in 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, makes it, in the reasonable judgment of the Representative, impracticable to market the Series 2019E Bonds on the terms and in the manner contemplated in the Official Statement or materially adversely affects the market price or marketability of the Series 2019E Bonds;

(e) there shall have occurred any downgrading, or any notice shall have been given of any downgrading, in the rating accorded the Series 2019E Bonds or other debt securities issued by the Authority for the benefit of the County and secured by or payable from the general fund of the County by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act of 1933, as amended;

(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 Series 2019E Bonds; 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 Series 2019E Bonds on the terms and in the manner contemplated in the Official Statement, including any supplements or amendments thereto or materially adversely affects the market price or marketability of the Series 2019E Bonds;

(g) the purchase of and payment for the Series 2019E Bonds by the Underwriters, or the resale of the Series 2019E Bonds 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 to permit the Official Statement to be supplemented to supply such statement or information.

12. Expenses. (a) The Underwriters shall be under no obligation to pay and the Authority and the County shall pay or cause to be paid the expenses incident to the performance of their obligations hereunder including, but not limited to, (i) the cost of preparation, printing and delivery of the Indenture, the Sublease, the Site Lease and the other Legal Documents; (ii) the costs of preparation, printing and delivery of the Preliminary Official Statement and the Official Statement and any supplements and amendments thereto; (iii) the cost of preparation and printing of the Series 2019E Bonds; (iv) the fees and disbursements of Bond Counsel and the County Counsel; (v) the fees and disbursements of Public Resources Advisory Group for its services as financial advisor to the Authority or the County; (vi) the fees and disbursements of any other engineers, accountants, and other experts, consultants or advisers retained by the Authority or the County; (vii) the fees, if any, for bond ratings; (viii) the fees and disbursements of the Trustee, and (ix) the fees and disbursements of independent certified public accountants and any other independent auditor of the Authority or the County.

(b) The Underwriters shall pay only: (i) the cost of preparing the Blue Sky Memorandum; (ii) all advertising expenses and blue sky filing fees in connection with the public offering of the Series 2019E Bonds; (iii) the fees and disbursements of Orrick, Herrington & Sutcliffe LLP, as counsel to the Underwriters; (iv) all California Debt and Investment Advisory

Commission fees, and (v) all other expenses incurred by the Underwriters in connection with the public offering of the Series 2019E Bonds, including the fees and disbursements of any other counsel retained by them and the fees of Digital Assurance Certification, L.L.C. for a continuing disclosure compliance review. Some or all of the expenses to be paid by the Underwriters may be included as part of the expense component of the underwriting discount or may be reimbursed to the Underwriters as out-of-pocket expenses. Notwithstanding the California Debt and Investment Advisory Commission fees are solely the legal obligation of the Underwriters, the Authority and County agree to reimburse the Underwriters for such fees.

13. Representations of Representative. The Representative represents and warrants to and agrees with the Authority and the County that it is authorized to take any action under this Bond Purchase Agreement required to be taken by and on behalf of the Underwriters and that this Bond Purchase Agreement is a binding contract of the Underwriters enforceable in accordance with its terms.

14. Notices. Any notice or other communication (other than the acceptance hereof as specified in the first paragraph hereof) to be given under this Bond Purchase Agreement may be given by delivering the same in writing to the County to:

County of Los Angeles
Treasurer and Tax Collector
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 432
Los Angeles, California 90012
Attention: Public Finance

to the Authority:

Los Angeles County Public Works Authority
500 West Temple Street, Room 432
Los Angeles, California 90012
Attention: Treasurer

and to the Underwriters:

Citigroup Global Markets Inc.
300 South Grand Avenue, Suite 3110
Los Angeles, California 90071
Attention: Chris Mukai

15. Parties in Interest; Survivability of Representations, Warranties and Agreements. This Bond Purchase Agreement is made solely for the benefit of the Authority, the County and the Underwriters and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Authority's and the County's representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriters; (ii) issuance of and payment for the Series 2019E Bonds pursuant to this Bond Purchase Agreement; and (iii) any termination of this Bond Purchase Agreement.

16. **Governing Law.** The laws of the State shall govern the validity, interpretation and performance of this Bond Purchase Agreement.

17. **Entire Agreement.** This Bond Purchase Agreement, when accepted by the Authority and the County in writing as heretofore specified, shall constitute the entire agreement among the Authority, the County and the Underwriters.

18. **Headings.** The headings of the paragraphs of this Bond Purchase Agreement are inserted for convenience of reference only and shall not be deemed to be a part hereof.

19. **Effectiveness.** This Bond Purchase Agreement shall become effective upon the execution of the acceptance hereof by an Authorized County Representative and an Authorized Authority Representative and shall be valid and enforceable at the time of such acceptance.

[Remainder of page left intentionally blank.]

20. **<u>Counterparts</u>.** This Bond Purchase Agreement may be executed in several counterparts, which together shall constitute one and the same instrument.

Very truly yours,

CITIGROUP GLOBAL MARKETS INC., as Representative, on behalf of itself and the other underwriters set forth on <u>Exhibit A</u> hereto

By:________________________________
Name:______________________________
Title:_______________________________

ACCEPTED:

This ____ day of ___________, 2019.

COUNTY OF LOS ANGELES, CALIFORNIA

By:_____________________________________
Keith Knox
Acting Treasurer and Tax Collector

LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY

By:_____________________________________
Keith Knox
Acting Treasurer

Approved as to Form:

MARY C. WICKHAM
County Counsel

By:_____________________________________
Deputy County Counsel

EXHIBIT A

UNDERWRITERS

Citigroup Global Markets Inc.

J.P. Morgan Securities LLC

EXHIBIT B

MATURITY SCHEDULE

$_____________
LOS ANGELES COUNTY
PUBLIC WORKS FINANCING AUTHORITY
LEASE REVENUE BONDS, 2019 SERIES E-1

$_________ Serial Series 2019E-1 Bonds

Date (December 1)	Principal Amount	Interest Rate	Yield	Price	10% Test Satisfied*	10% Test Not Satisfied	Subject to Hold-The-Offering Price Rule
	$	%	%				

$________ Series 2019E-1 Term Bond due December 1, 20__, at ___%, Yield ____% Price _____%
[10% Test Satisfied*][10% Test Not Satisfied][Subject to Hold The Offering Price Rule]

$________ Series 2019E-1 Term Bond due December 1, 20__, at ___%, Yield ____% Price _____%
[10% Test Satisfied*][10% Test Not Satisfied][Subject to Hold The Offering Price Rule]

* At the time of the execution of this Purchase Agreement and assuming orders are confirmed by the end of the day immediately following the day of execution of this Purchase Agreement.
c Priced to first optional redemption date of December 1, 20__ at par.

$______________
LOS ANGELES COUNTY
PUBLIC WORKS FINANCING AUTHORITY
LEASE REVENUE BONDS, 2019 SERIES E-2

$_________ Serial Series 2019E-2 Bonds

Date (December 1)	Principal Amount	Interest Rate	Yield	Price	10% Test Satisfied*	10% Test Not Satisfied	Subject to Hold-The-Offering Price Rule
	$	%	%				

$________ Series 2019E-2 Term Bond due December 1, 20__, at ___%, Yield ____% Price _____%
[10% Test Satisfied*][10% Test Not Satisfied][Subject to Hold The Offering Price Rule]

$________ Series 2019E-2 Term Bond due December 1, 20__, at ___%, Yield ____% Price _____%
[10% Test Satisfied*][10% Test Not Satisfied][Subject to Hold The Offering Price Rule]

* At the time of the execution of this Purchase Agreement and assuming orders are confirmed by the end of the day immediately following the day of execution of this Purchase Agreement.
[c] Priced to first optional redemption date of December 1, 20__ at par.

TERMS OF REDEMPTION

EXHIBIT C

FORM OF ISSUE PRICE CERTIFICATE OF THE REPRESENTATIVE

EXHIBIT D

FORM OF DISCLOSURE COUNSEL OPINION

PRELIMINARY OFFICIAL STATEMENT DATED _________, 2019

NEW ISSUE – BOOK-ENTRY ONLY **RATINGS: See "RATINGS" herein.**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) with respect to the Series 2019E Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) with respect to the Series 2019E Bonds is exempt from State of California personal income tax. See "TAX MATTERS" herein.

$[Aggregate Principal Amount]*
LOS ANGELES COUNTY
PUBLIC WORKS FINANCING AUTHORITY
$[E-1PA*] Lease Revenue Bonds, 2019 Series E-1
$[E-2PA*] Lease Revenue Bonds, 2019 Series E-2

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

This cover page contains information for reference only. Investors must read the entire Official Statement to obtain information essential in making an informed investment decision. Capitalized terms used in this cover page shall have the meanings given such terms herein.

The Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-1 (the "Series 2019 E-1Bonds") and the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2 (the "Series 2019 E-2 Bonds" and, together with the Series 2019 E-1Bonds, the "Series 2019E Bonds") are special obligations of the Los Angeles County Public Works Financing Authority (the "Authority"), payable solely from Lease Revenues and the other assets pledged therefor under the Master Indenture, dated as of February 1, 2015, as previously amended and supplemented and as further amended and supplemented by the Fourth Supplemental Indenture, dated as of [Dated Date] (the "Fourth Supplemental Indenture" and, as so amended and supplemented, the "Indenture"), by and among the County of Los Angeles, California (the "County"), the Authority and Zions Bancorporation, National Association, as trustee (the "Trustee"). Lease Revenues consist primarily of Base Rental Payments to be made by the County for the use of certain real property and the improvements located thereon (the "Property") pursuant to the Master Sublease, dated as of February 1, 2015, as amended and supplemented as described herein (as so amended and supplemented, the "Sublease"), by and between the County and the Authority. The County has covenanted under the Sublease to make all Base Rental Payments and Additional Rental Payments (collectively, the "Rental Payments") provided for therein, to include all such Rental Payments in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The County's obligation to make Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019E BONDS" herein.

The Authority has previously issued certain lease revenue bonds pursuant to the Indenture (the "Prior Bonds") in the original aggregate principal amount of $545,690,000. Subject to satisfaction of certain conditions precedent, the Authority may issue additional bonds (the "Additional Bonds") under the Indenture. The Series 2019E Bonds will be issued as Additional Bonds under the Indenture. The Prior Bonds and the Series 2019E Bonds are payable from Lease Revenues on a parity with all other Additional Bonds issued under the Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019E Bonds – Parity Obligations; Additional Bonds" herein.

The proceeds of the Series 2019E Bonds will be used to (i) finance and refinance certain capital improvement projects described herein, including the repayment of certain Commercial Paper Notes (as described herein) issued by the Los Angeles County Capital Asset Leasing Corporation to finance certain capital improvement projects and (ii) pay certain costs of issuance incurred in connection with the issuance of the Series 2019E Bonds. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Series 2019E Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Series 2019E Bonds will be dated their date of delivery and are payable with respect to interest semiannually each June 1 and December 1, commencing on December 1, 2019. The Series 2019E Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2019E Bonds. Ownership interests in the Series 2019E Bonds may be purchased in book-entry form only. Principal of and interest and redemption premium, if any, on the Series 2019E Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Series 2019E Bonds. See APPENDIX D – "Book-Entry Only System" attached hereto.

The Series 2019E Bonds are subject to redemption prior to maturity, as described herein. See "THE SERIES 2019E BONDS – Redemption of the Series 2019E Bonds" herein.

See "CERTAIN RISK FACTORS" for a discussion of factors that should be considered, in addition to the other matters set forth herein, in evaluating the investment quality of the Series 2019E Bonds.

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* Preliminary, subject to change.

THE OBLIGATION OF THE COUNTY TO PAY THE BASE RENTAL PAYMENTS DOES NOT CONSTITUTE A DEBT OF THE COUNTY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMIT OR RESTRICTION, AND DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE COUNTY OR THE STATE OF CALIFORNIA IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE COUNTY OR THE STATE OF CALIFORNIA HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE SERIES 2019E BONDS SHALL BE SPECIAL OBLIGATIONS OF THE AUTHORITY, PAYABLE SOLELY FROM THE LEASE REVENUES AND THE OTHER ASSETS PLEDGED THEREFOR UNDER THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE AUTHORITY, THE COUNTY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2019E BONDS. THE AUTHORITY HAS NO TAXING POWER AND HAS NO OBLIGATION TO PAY BASE RENTAL PAYMENTS.

The Series 2019E Bonds are offered when, as and if issued, subject to the approval as to their validity by Stradling Yocca Carlson & Rauth, A Professional Corporation, Newport Beach, California, Bond Counsel to the Authority. Certain legal matters will be passed upon for the Authority and the County by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and by County Counsel, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California. It is anticipated that the Series 2019E Bonds will be available for delivery through the facilities of DTC in New York, New York on or about ________, 2019.

Citigroup **J.P. Morgan**

Dated: _______, 2019

MATURITY SCHEDULE

$[Aggregate Principal Amount]*
LOS ANGELES COUNTY
PUBLIC WORKS FINANCING AUTHORITY

$[E-1 PA] Lease Revenue Bonds, 2019 Series E-1

(Base CUSIP†: 54473E)

Due (December 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†	Due (December 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2020									
2021									
2022									
2023									
2024									
2025									
2026									

$__________ Series 2019 E-1 Term Bonds due December 1, 20__, at ____%, Yield ____%, CUSIP† 54473E___
$__________ Series 2019 E-1 Term Bonds due December 1, 20__, at ____%, Yield ____%, CUSIP† 54473E___

$[E-1 PA] Lease Revenue Bonds, 2019 Series E-2

(Base CUSIP†: 54473E)

Due (December 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†	Due (December 1)	Principal Amount	Interest Rate	Yield	CUSIP Suffix†
2020									
2021									
2022									
2023									
2024									
2025									
2026									

$__________ Series 2019 E-2 Term Bonds due December 1, 20__, at ____%, Yield ____%, CUSIP† 54473E___
$__________ Series 2019 E-2 Term Bonds due December 1, 20__, at ____%, Yield ____%, CUSIP† 54473E___

* Preliminary, subject to change.

COUNTY OF LOS ANGELES

LOS ANGELES COUNTY
PUBLIC WORKS FINANCING AUTHORITY
LEASE REVENUE BONDS, 2019 SERIES E

BOARD OF SUPERVISORS

Janice Hahn
Fourth District, Chair

Hilda L. Solis
First District

Mark Ridley-Thomas
Second District

Sheila Kuehl
Third District

Kathryn Barger
Fifth District

Celia Zavala
Executive Officer-Clerk
Board of Supervisors

COUNTY OFFICIALS

Sachi A. Hamai
Chief Executive Officer

Mary C. Wickham
County Counsel

Keith Knox
Acting Treasurer and Tax Collector

Arlene Barrera
Acting Auditor-Controller

No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than those contained herein. If given or made, such other information or representations must not be relied upon as having been authorized by the County or the Authority. 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 Series 2019E Bonds 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 Series 2019E Bonds. Statements contained herein which involve estimates, projections, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The information set forth herein has been obtained from the Authority and the County, and other sources that are believed by the Authority and the County to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale of the Series 2019E Bonds made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County or the Authority since the date hereof. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. Preparation of this Official Statement and its distribution have been duly authorized and approved by the County and the Authority.

The Underwriters have provided the following sentence for inclusion herein. The Underwriters have reviewed the information herein 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.

Certain statements included or incorporated by reference herein constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Neither the County nor the Authority plans to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based, occur.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2019E BONDS, THE UNDERWRITERS MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2019E BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2019E BONDS TO CERTAIN DEALERS, INSTITUTIONAL INVESTORS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE HEREOF AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

TABLE OF CONTENTS

COUNTY OF LOS ANGELES

CALIFORNIA

$[Aggregate Principal Amount]*
LOS ANGELES COUNTY
PUBLIC WORKS FINANCING AUTHORITY
$[E-1PA*] Lease Revenue Bonds, 2019 Series E-1
$[E-2PA*] Lease Revenue Bonds, 2019 Series E-2

INTRODUCTION

General

This Official Statement, including the cover page, the inside cover page and the appendices attached hereto (this "Official Statement"), provides certain information concerning the sale and issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-1 (the "2019 Series E-1 Bonds") and the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2 (the "Series 2019 E-2 Bonds" and, together with the 2019 Series E-1 Bonds, the "Series 2019E Bonds"). The Series 2019E Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 *et seq.* of the California Government Code and the Master Indenture, dated as of February 1, 2015, by and among the County of Los Angeles, California (the "County"), the Los Angeles County Public Works Financing Authority (the "Authority") and Zions Bancorporation, National Association, as trustee (the "Trustee"), as previously amended and supplemented and as further amended and supplemented by the Fourth Supplemental Indenture, dated as of [Dated Date] (the "Fourth Supplemental Indenture"), by and among the County, the Authority and the Trustee (as so amended and supplemented, the "Indenture").

The Series 2019E Bonds are special obligations of the Authority, are payable solely from the Lease Revenues (as defined below) and the other assets pledged for the Series 2019E Bonds under the Indenture as described herein. Lease Revenues consist primarily of Base Rental Payments (as defined below) to be made by the County for the use of certain real property and the improvements located thereon, as more particularly described herein (the "Property"), pursuant to the Master Sublease, dated as of February 1, 2015, by and between the County and the Authority, as previously amended and supplemented and as further amended and supplemented by the Third Amendment to Master Sublease, dated as of [Dated Date], by and between the County and the Authority (as so amended and supplemented, the "Sublease"). "Lease Revenues" means all Base Rental Payments payable by the County pursuant to the Sublease, including any prepayments thereof, any Net Proceeds (as defined below) and any amounts received by the Trustee as a result of or in connection with the Trustee's pursuit of remedies under the Sublease upon a Sublease Default Event (as defined below). "Base Rental Payments" means all amounts payable to the Authority by the County as Base Rental Payments pursuant to the Sublease. "Net Proceeds" means any insurance proceeds or condemnation award paid with respect to any of the Property, which proceeds or award, after payment therefrom of all reasonable expenses incurred in the collection thereof, are in an amount greater than $50,000. "Sublease Default Event" means an event of default pursuant to and as described in the Sublease.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices to this Official Statement, and the documents summarized or described in this Official Statement. A full review should be made of the entire Official Statement. The sale and delivery of Series 2019E Bonds to potential investors is made only by means of this Official Statement.

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* Preliminary, subject to change.

All capitalized terms used herein (unless otherwise defined herein) which are defined in the Indenture or the Sublease shall have the same meanings assigned to such terms as set forth therein. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The County

The County is located in the southern coastal portion of the State of California (the "State") and covers approximately 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 is more populous than 43 states. The economy of the County includes manufacturing, technology, world trade, financial services, motion picture and television production and tourism. For additional economic, demographic and financial information with respect to the County, see APPENDIX A – "THE COUNTY OF LOS ANGELES INFORMATION STATEMENT" and APPENDIX B – "THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

The Authority

The Authority was formed pursuant to a Joint Exercise of Powers Agreement, dated May 18, 1993 (as amended by a Certificate of Amendment dated April 26, 1994, and a Certificate of Amendment dated October 22, 1996, and as further amended from time to time, the "JPA Agreement"), to provide financial assistance from time to time to the County, the Los Angeles County Flood Control District, the Los Angeles County Regional Park and Open Space District, the Community Facilities District No. 2 (Rowland Heights Area) of the County of Los Angeles and any entity that becomes a party to the JPA Agreement in accordance with its terms. The Authority has previously issued obligations secured by certain revenues of and rental payments from certain contracting parties and may issue additional obligations in the future. These other obligations of the Authority are not secured by the Lease Revenues, and the Series 2019E Bonds, the Prior Bonds and any other Additional Bonds (each as defined herein) are not secured by any other assets or property of the Authority other than the Lease Revenues and the other assets pledged to the payment of the Series 2019E Bonds under the Indenture.

Description of the Series 2019E Bonds

The Series 2019E Bonds will be issued in denominations of $5,000 and any integral multiple thereof (the "Authorized Denominations"). The Series 2019E Bonds will be dated their date of delivery and are payable with respect to interest semiannually each June 1 and December 1, commencing on December 1, 2019.

The Series 2019E Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2019E Bonds. Ownership interests in the Series 2019E Bonds may be purchased in book-entry form only. Principal of and interest on the Series 2019E Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the beneficial owners (the "Beneficial Owners") of the Series 2019E Bonds. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

The Series 2019E Bonds are subject to redemption prior to maturity, as described herein. See "THE SERIES 2019E BONDS – Redemption of the Series 2019E Bonds."

For a more complete description of the Series 2019E Bonds, see "THE SERIES 2019E BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019E BONDS" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Security and Sources of Payment for the Bonds

The County leases the Property to the Authority pursuant to a Master Site Lease, dated as of February 1, 2015, by and between the County and the Authority, as previously amended and supplemented and as further amended and supplemented by the Third Amendment to Master Site Lease, dated as of [Dated

Date], by and between the County and the Authority (as so amended and supplemented, the "Site Lease"). The County subleases the Property from the Authority pursuant to the Sublease. The Series 2019E Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture as described herein.

Pursuant to the Indenture the Authority has previously issued the (i) Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects), 2015 Series A (the "Series 2015A Bonds") in the original aggregate principal amount of $153,215,000; (ii) Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series B (Tax-Exempt) (the "Series 2015B Bonds") in the original aggregate principal amount of $133,330,000; (iii) Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2015 Series C (Federally Taxable) (the "Series 2015C Bonds") in the original aggregate principal amount of $85,010,000 and (iv) Los Angeles County Public Works Financing Authority Lease Revenue Refunding Bonds, 2016 Series D (the "Series 2016D Bonds", and together with the Series 2015A Bonds, the 2015B Bonds and the Series 2015C Bonds, the "Prior Bonds") in the original aggregate principal amount of $545,690,000. Subject to satisfaction of certain conditions precedent, the Authority may issue additional bonds (the "Additional Bonds") under the Indenture. The Series 2019E Bonds will be issued as Additional Bonds under the Indenture, and the Prior Bonds, the Series 2019E Bonds and any other Additional Bonds hereafter issued (collectively, the "Bonds") are payable from Lease Revenues on a parity with all other Bonds issued under the Indenture.

Base Rental Payments to be made by the County under the Sublease will be used to pay principal of and interest and premium, if any, on the Bonds when due. The Base Rental Payments are equal to the principal of and interest on the Bonds when due. The County has covenanted under the Sublease to make all Base Rental Payments and Additional Rental Payments (as defined below) (collectively, the "Rental Payments") provided for in the Sublease, to include all such Rental Payments in the County's annual budgets and to make necessary annual appropriations for all such Rental Payments." Additional Rental Payments" means all amounts payable by the County as Additional Rental Payments pursuant to the Sublease.

The County's obligation to pay Base Rental Payments is subject to abatement during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property. Failure of the County to pay Base Rental Payments during any such period shall not constitute a default under the Sublease, the Indenture or the Bonds.

The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation. The Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the County or the State, or any political subdivision thereof, is pledged to the payment of the Bonds. The Authority has no taxing power and has no obligation to pay Base Rental Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019E Bonds" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Reserve Fund

The Series 2019E Bonds are not Common Reserve Bonds secured by any Reserve Account. No amounts in the Reserve Fund, including the Common Reserve Account established and maintained thereunder, are available for payment of any amounts due on the Series 2019E Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019E Bonds –Reserve Fund."

Parity Obligations; Additional Bonds

The Series 2019E Bonds will be issued as Additional Bonds under the Indenture. The Authority has previously issued the Prior Bonds pursuant to the Indenture payable from Lease Revenues on a parity with the Series 2019E Bonds and all other Additional Bonds hereafter issued under the Indenture. Under the Indenture, the Authority may issue other Additional Bonds payable from Lease Revenues on a parity with all other Bonds theretofore issued under the Indenture, but subject to the satisfaction of certain conditions precedent, including, (1) the provision to the Trustee of a Supplemental Indenture that, among other things, specifies whether such Additional Bonds shall (a) constitute Common Reserve Bonds secured by the Common Reserve Account, (b) be secured by any other Reserve Account, or (c) not be secured by any Reserve Account and (2) the filing with the Trustee, among other things, of (a) a certificate of the County to the effect that, upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period, is not in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of such Additional Bonds, and (b) a CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type set forth in the Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019E Bonds – Parity Obligations; Additional Bonds" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds" and "– Procedure for the Issuance of Additional Bonds."

Purpose of the Series 2019E Bonds

The Los Angeles County Capital Asset Leasing Corporation (the "Corporation") previously issued certain of its Lease Revenue Obligation Commercial Paper Notes (the "Commercial Paper Notes") for, among other purposes, the financing of a portion of the costs of acquisition, construction, renovation, improvement or equipping of certain capital expenditures. The proceeds of the Series 2019E Bonds will be used to (a) repay certain of the Commercial Paper Notes and (b) pay certain costs of issuance incurred in connection with the issuance of the Series 2019E Bonds. See "THE PROJECT," "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS."

Continuing Disclosure

Pursuant to the Continuing Disclosure Certificate to be executed in connection with the issuance of the Series 2019E Bonds, the County has covenanted to provide, or cause to be provided, by not later than April 1 of each fiscal year, commencing on April 1, 2020, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters of the Series 2019E Bonds in complying with the Rule 15c2-12 (the "Rule") promulgated by the U.S. Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended. See "CONTINUING DISCLOSURE" and APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

Certain Risk Factors

Certain events could affect the ability of the County to make the Base Rental Payments when due. See "CERTAIN RISK FACTORS" for a discussion of certain factors that should be considered, in addition to other matters set forth herein, in evaluating an investment in the Series 2019E Bonds.

Forward-Looking Statements

Certain statements included or incorporated by reference in the Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The County is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

Other Information

The descriptions herein of the Indenture, the Site Lease and the Sublease and any other agreements relating to the Series 2019E Bonds are qualified in their entirety by reference to such documents, and the descriptions herein of the Series 2019E Bonds are qualified in their entirety by the forms thereof and the information with respect thereto included in the aforementioned documents. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS".

Any statements herein involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the Authority, the County and the purchasers or Owners of any of the Series 2019E Bonds. The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made under this Official Statement nor any future use of this Official Statement, under any circumstances, creates any implication that there has been no change in the affairs of the County or the Authority since the date of this Official Statement.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the County or the Authority. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

PLAN OF FINANCE

The County previously caused to be issued certain of the Commercial Paper Notes for, among other purposes, the financing of a portion of the costs of acquisition, construction, renovation, improvement or equipping of certain capital expenditures relating to the Project (described below). The proceeds of the Series 2019E Bonds will be used to (a) repay the maturing principal amounts of certain of the Commercial Paper Notes, and (b) pay certain costs of issuance incurred in connection with the issuance of the Series 2019E Bonds.

Pursuant to the Fourth Supplemental Indenture, the Trustee is required to (i) deposit an amount sufficient to repay the Commercial Paper Notes to be repaid, in a fund designated therefor, which the Trustee is also required to establish and maintain, and (ii) transfer all amounts in such fund to the issuing and paying agent for the Commercial Paper Notes for the payment of such Commercial Paper Notes, and upon such transfer such fund is required to be closed.

THE PROJECT

<u>The following are summaries of the capital facilities refinanced with the proceeds of the 2019 Series E Bonds. The </u>Martin Luther King Jr. Medical Campus Parking Structure <u>Project is being refinanced with the proceeds of the 2019 Series E-2 Bonds. The other projects described below are being refinanced with the proceeds of the 2019 Series E-1 Bonds.</u>

<u>Martin Luther King Jr. Medical Campus Parking Structure</u>

The Martin Luther King Jr. Medical Campus Parking Structure is a six-level parking structure located at 12021 South Wilmington Avenue on the southeast corner of the Martin Luther King Jr. Medical

Campus that occupies approximately 452,471 square-feet of gross building area, with 1,400 parking spaces to accommodate the parking needs of the medical campus. This parking structure was completed in 2018.

East Antelope Valley Animal Care Center Project

The East Antelope Valley Animal Care Center is located on a 5.94-acre County-owned property located in Palmdale that was constructed in 2016. The East Antelope Valley Animal Care Center is a 25,889 square-feet indoor facility, which includes a public entry lobby, space for public adoption and animal relinquishment, control, quarantine, and euthanasia, a veterinary and spay/neuter clinic, and staff and administration areas.

Rancho Los Amigos National Rehabilitation Center - North Campus

The North Campus of Rancho Los Amigos National Rehabilitation Center is located on a 49.07-acre property at 7601 East Imperial Highway in the City of Downey. The newly constructed improvements consist of an extension of the pre-existing Jacquelin Perry Institute building, an expansion of the pre-existing parking structure, a new outpatient facility building, a new warehouse and the Don Knabe Wellness Center building, which includes patient fitness areas, a gymnasium with accessible equipment for self-directed exercises and classes and a pool for aquatic therapy.

Fire Station 143

Fire Station 143 is a new 9,700 square-foot fire station completed in 2016 that is located on a 1.1-acre County-owned property in Valencia. The facility provides improved fire protection, emergency medical, and life safety services to the Santa Clarita Valley. The facility consists of a two-bay apparatus room, main office, day room, kitchen, exercise room, and dormitory quarters for seven personnel.

Probation Department Building Renovation

The Probation Department Building is located on a 0.70-acre property at 3965 South Vermont Avenue in the City of Los Angeles and consists of a three-story office building with approximately 60,060 square-feet of office space and a four-story parking structure with rooftop parking. The building, which was originally constructed in 1965, underwent a substantial renovation that was completed in 2018. The renovated Probation Department Building provides office space for the Probation Department's Juvenile and Adult Services operations and other County departments. This building also serves as a community re-entry center that provides rehabilitation and re-entry services and aid to adult probationers.

Music Center Plaza Improvement Project

The Music Center Plaza is located at 135 North Grand Avenue in the City of Los Angeles. The Music Center Plaza Improvement Project includes the following components: leveling and refinishing the Music Center Plaza surface to align with the Dorothy Chandler Pavilion and the Mark Taper Forum, reconstructing the existing Grand Avenue staircase, relocating the 50-foot-tall "Peace on Earth" Lipchitz sculpture in the center of the Music Center Plaza, and reconfiguring the food, beverage, and information facilities around the Music Center Plaza and adding new public restrooms.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2019E Bonds are expected to be applied approximately as set forth below:

Sources of Funds:	
Principal Amount of the Series 2019E-1 Bonds	
Principal Amount of the Series 2019E-2 Bonds	
Original Issue Premium	
TOTAL SOURCES	
Uses of Funds:	
Repayment of Commercial Paper Notes	
Costs of Issuance[(1)]	
TOTAL USES	

[(1)] Includes underwriters' discount, title insurance costs, fees of the rating agencies, Bond Counsel, Disclosure Counsel fees, the Municipal Advisor, and the trustee, printing costs and other miscellaneous expenses.

THE SERIES 2019E BONDS

The following is a summary of certain provisions of the Series 2019E Bonds. Reference is made to the Series 2019E Bonds for the complete text thereof and to the Indenture for a more detailed description of such provisions. The discussion herein is qualified by such reference.

General

The Series 2019E Bonds will be issued in denominations of $5,000 and any integral multiple thereof. The Series 2019E Bonds will be dated their date of delivery and are payable with respect to interest semiannually each June 1 and December 1, commencing on December 1, 2019.

The Series 2019E Bonds will be delivered in fully-registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Series 2019E Bonds. Ownership interests in the Series 2019E Bonds may be purchased in book-entry form only. Principal of and interest and premium, if any, on the Series 2019E Bonds will be paid by the Trustee to DTC or its nominee, which will in turn remit such payments to its Participants (defined herein) for subsequent disbursement to the Beneficial Owners of the Series 2019E Bonds. See APPENDIX D – "BOOK-ENTRY ONLY SYSTEM."

Redemption of the Series 2019E Bonds

Optional Redemption of the Series 2019E Bonds. The Series 2019E Bonds maturing on or before December 1, ____, are not subject to optional redemption prior to their respective stated maturity dates. The Series 2019E Bonds maturing on or after December 1, 2____, are subject to optional redemption prior to their respective stated maturity dates, on any date on or after December 1, ____, in whole or in part, in Authorized Denominations, from (i) prepaid Base Rental Payments pursuant to the Sublease, or (ii) any other source of available funds, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption of the Series 2019 E-1 Term Bonds. The Series 2019E-1 Bonds maturing December 1, 20__ (the "Series 2019 E-1 20__ Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on December 1 in each year, commencing December 1, ____, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed
(Maturity)	

The Series 2019 E-1 Bonds maturing December 1, ____ (the "Series 2019 E-1 20__Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on December 1 in each year, commencing December 1, ____, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed
(Maturity)	

The Series 2019E-2 Bonds maturing December 1, 20__ (the "Series 2019 E-2 20__ Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on December 1 in each year, commencing December 1, ____, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed
(Maturity)	

The Series 2019 E-2 Bonds maturing December 1, ____ (collectively, the "Series 2019 E-2 20__Term Bonds" and, together with the Series 2019E-1 20__Terms Bonds, the Series 2019 E-1 20__ Term Bonds and the Series 2019 E-2 20__ Term Bonds, the "Series 2019 Term Bonds") shall be subject to mandatory sinking fund redemption, in part, on December 1 in each year, commencing December 1, ____, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, in the aggregate respective principal amounts in the respective years as follows:

Sinking Fund Redemption Date (December 1)	Principal Amount to be Redeemed
(Maturity)	

If some but not all of the Series 2019 Term Bonds are redeemed pursuant to the extraordinary redemption provisions as described herein under the caption " – Extraordinary Redemption of the Bonds," the principal amount of such Series 2019 Term Bonds to be redeemed pursuant to the mandatory sinking fund redemption provisions shall be reduced by the aggregate principal amount of the respective Series 2019 Term Bonds so redeemed pursuant to the extraordinary redemption provisions, such reduction to be allocated among sinking fund redemption dates as nearly as practicable on a pro rata basis, in amounts equal to Authorized Denominations, as determined by the Trustee, notice of which determination shall be given by the Trustee to the Authority and the County. If some but not all of the respective Series 2019 Term Bonds are redeemed pursuant to the optional redemption provisions as described herein under the caption "– Optional Redemption of the Series 2019 E Bonds," the principal amount of such Bonds to be redeemed pursuant to the mandatory sinking fund redemption provisions shall be reduced by the aggregate principal amount of the respective Series 2019 Term Bonds so redeemed pursuant to the optional redemption provisions, such reduction to be allocated among redemption dates in Authorized Denominations, as designated by the County.

Extraordinary Redemption of the Bonds. The Series 2019E Bonds shall be subject to redemption, in whole or in part, on any date, in denominations of $5,000 or any integral multiple thereof, from and to the extent of any Net Proceeds (other than Net Proceeds of rental interruption insurance) received with respect to all or a portion of the Property and deposited by the Trustee in the Redemption Fund in accordance with the provisions of the Indenture, at a redemption price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium.

Selection of Series 2019E Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Series 2019E Bonds of a series, the Trustee shall select the Series 2019E Bonds to be redeemed from all Series 2019E Bonds of such series not previously called for redemption (a) with respect to any redemption described above under the caption "– Extraordinary Redemption" among maturities of all Series 2019E Bonds of such series on a pro rata basis as nearly as practicable, (b) with respect to any optional redemption of the Series 2019E Bonds of such series, among maturities as directed by the County, and (c) with respect to the Series 2019E Bonds of a series with the same maturity, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair.

Notice of Redemption. The Trustee on behalf of the Authority shall mail (by first class mail) notice of any redemption to the respective Owners of any Series 2019E Bonds designated for redemption at their respective addresses appearing on the Registration Books at least 30 but not more than 60 days prior to the date fixed for redemption. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities of the Series 2019E Bonds to be redeemed (except in the event of redemption of all of the Series 2019E Bonds of such maturity or maturities in whole), and shall require that such Series 2019E Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Series 2019E Bonds will not accrue from and after the date fixed for redemption. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the Series 2019E Bonds or the cessation of accrual of interest thereon from and after the date fixed for redemption. With respect to any notice of any optional redemption of Series 2019E Bonds of a series, unless at the time such notice is given the Series 2019E Bonds to be redeemed shall be deemed to have been paid within the meaning of the Indenture, such notice shall state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the Series 2019E Bonds to be redeemed, and that if such moneys shall not have been so received said notice shall be of no force and effect and the Authority shall not be required to redeem such Series 2019E Bonds. In the event a notice of redemption of Series 2019E Bonds contains such a condition and such moneys are not so received, the redemption of Series 2019E Bonds as described in the conditional notice of redemption shall not be made and the Trustee shall, within a reasonable time after the date on which such redemption was to occur, give notice to the individuals, corporations, limited liability companies, firms, associations, partnerships, trusts, or other legal entities or groups of entities, including governmental entities or any agencies or political subdivisions thereof (each, a "Person") and in the manner in which the notice of redemption was given, that such moneys were not so received and that there shall be no redemption of Series 2019E Bonds pursuant to such notice of redemption.

Notice having been mailed as described above, and moneys for the redemption price, and the interest to the applicable date fixed for redemption, having been set aside, the Series 2019E Bonds shall become due and payable on said date and, upon presentation and surrender thereof at the Office of the Trustee, said Series 2019E Bonds shall be paid at the redemption price thereof, together with interest accrued and unpaid to said date. If, on said date fixed for redemption, moneys for the redemption price of all the Series 2019E Bonds to be redeemed, together with interest to said date, shall be held by the Trustee so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as described above and not canceled, then, from and after said date, interest on said Series 2019E Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Trustee for the redemption of Series 2019E Bonds shall be held in trust for the account of the Owners of the Series 2019E Bonds so to be redeemed without liability to such Owners for interest thereon.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019E BONDS

Special Obligations; Pledge of Lease Revenues

The Series 2019E Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues, including the Base Rental Payments to be made by the County under the Sublease for the use of the Property, and the other assets pledged therefor under the Indenture as described herein. Neither the faith and credit nor the taxing power of the Authority, the County or the State, or any political subdivision thereof, is pledged to the repayment of the Series 2019E Bonds. The Indenture provides that, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Lease Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund) are pledged to the payment of the principal of and interest on the Bonds as provided in the Indenture, and that the Lease Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. The Indenture provides that said pledge shall constitute a first lien on such assets.

In order to secure the pledge of the Lease Revenues under the Indenture, the Authority, in the Indenture, sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Site Lease and the Sublease, including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Sublease in the event of a default by the County thereunder; provided that the Authority retains the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Sublease. See "– Base Rental Payments; Abatement" and "CERTAIN RISK FACTORS – Bankruptcy."

Base Rental Payments; Abatement

The County covenants under the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments (which include taxes and assessments affecting the Property, administrative costs of the Authority relating to the Property, fees and expenses of the Trustee, insurance premiums and other amounts payable under the Sublease or the Indenture), due under the Sublease in its annual budgets and to make the necessary annual appropriations therefor. The Sublease provides that it shall be, and shall be deemed and construed to be, a "net-net-net lease" and that the Rental Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the County and the Authority. Base Rental Payments to be made by the County under the Sublease will be used to pay principal of and interest and premium, if any, on the Bonds when due. The Base Rental Payments are equal to the principal of and interest on the Bonds when due. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Rental Payments – Base Rental Payments."

The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

During any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, Rental Payments shall be abated, and the County waives any and all other rights to terminate the Sublease by virtue of any such interference, and the Sublease shall continue in full force and effect. The amount of such abatement shall be such that the resulting Rental Payments do not exceed the lesser of (i) the amount necessary to pay the Rental Payments remaining unpaid, and (ii) the fair rental value for the use and possession of the Property of which there is no such substantial interference. The County and the Authority shall provide the Trustee with a certificate setting forth the amount of such abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Sublease shall be extended as provided in the Sublease; provided, however, that such term shall in no event be extended more than ten years beyond the Scheduled Termination Date (as defined in the Sublease). Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Rental Payments – Rental Abatement."

Subject to the abatement provisions set forth in the Sublease, the Base Rental Payments are equal to the principal of and interest on the Bonds when due and are payable on the Business Day before each Interest Payment Date. A table of the aggregate annual Base Rental Payments to be made by the County under the Sublease is set forth below.

SCHEDULE OF BASE RENTAL PAYMENTS

	Prior Bonds		Series 2019E Bonds		
Fiscal Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest[(1)]**	**Total Base Rental Payments[(1)]**
2020					
2021					

2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032
2033
2034
2035
2036
2037
2038
2039
2040
2041
2042
2043
2044
2045
2046
2047
2048
2049
Total[1]

[1] Amounts reflect individual rounding.

Additional Rental

The County shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following: (a) all taxes and assessments of any type or nature charged to the Authority or the County or affecting the Property or the respective interests or estates of the Authority or the County therein; (b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Sublease or to defend the Authority and its members, officers, agents and employees; (c) insurance premiums for all insurance required pursuant to the Sublease; (d) any amounts with respect to the Bonds required to be rebated to the federal government in accordance with the Code; and (e) all other payments required to be paid by the County under the provisions of the Sublease or the Indenture.

Reserve Fund

The Series 2019E Bonds are not Common Reserve Bonds secured by any Reserve Account. No amounts in the Reserve Fund, including the Common Reserve Account established and maintained thereunder, are available for payment of any amounts due on the Series 2019E Bonds. See APPENDIX C

— "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE – Pledge and Assignment; Funds and Accounts – Reserve Fund."

Parity Obligations; Additional Bonds

The Series 2019E Bonds will be issued as Additional Bonds under the Indenture. The Authority has previously issued the Prior Bonds pursuant to the Indenture payable from Lease Revenues on a parity with the Series 2019E Bonds and all other Additional Bonds hereafter issued under the Indenture. Under the Indenture, the Authority may also issue other Additional Bonds payable from Lease Revenues on a parity with all other Bonds theretofore issued under the Indenture, but only subject to satisfaction of certain conditions precedent, including, (1) the provision to the Trustee of a Supplemental Indenture that, among other things, specifies whether such Additional Bonds shall (a) constitute Common Reserve Bonds secured by the Common Reserve Account, (b) be secured by any other Reserve Account, or (c) not be secured by any Reserve Account and (2) the filing with the Trustee, among other things, of (a) a certificate of the County to the effect that, upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period, is not in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of such Additional Bonds, and (b) a CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type set forth in the Sublease. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – INDENTURE – The Bonds – Conditions for Issuance of Additional Bonds" and "– Procedure for the Issuance of Additional Bonds."

Insurance

The Sublease requires the County to maintain reasonable and customary liability insurance. The Sublease also requires the County to maintain or cause to be maintained casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake) to the full insurable value of the Property, subject to a $100,000 loss deductible provision. The insurance referenced in the preceding sentence may be maintained in the form of self-insurance by the County, in compliance with the terms of the Sublease. The County intends to self-insure for workers' compensation and general liability with respect to the Property. The Sublease also requires the County to maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of certain hazards in an amount not less than an amount equal to two times Maximum Annual Debt Service. The County may not self-insure for rental interruption insurance. See Appendix C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Insurance."

The County is also required under the Sublease to obtain title insurance on the Property, in an aggregate amount of not less than the initial aggregate principal amount of the Bonds, subject only to Permitted Encumbrances, as defined in the Sublease.

Substitution and Release of Property

Subject to the provisions described below, the Sublease provides that the County may substitute alternate real property for any portion of the Property or release a portion of the Property from the Sublease. Notwithstanding any substitution or release pursuant to the Sublease, the Sublease provides that there shall be no reduction in or abatement of the Base Rental Payments due from the County thereunder as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to, among other things, the following conditions: (a) a qualified employee of the County or an independent certified real estate appraiser selected by the County shall have certified that (i) the sum of Base Rental Payments plus Additional Rental Payments due under the Sublease in any Rental Period is not in excess of the annual fair rental value of the Property, as constituted after such substitution or release, and (ii) the Property, as constituted after such substitution or release, has a useful life equal to or greater than the maximum remaining term of the Sublease (including extensions thereof as provided under the Sublease); (b) the County shall have obtained or caused to be obtained a CLTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property; (c) the County shall have filed or caused to be filed with the Trustee an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income tax purposes; and (d) the County shall have certified to the Trustee that the substituted real property is essential for performing the County's governmental functions. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS –SUBLEASE – Assignment and Subletting; Substitution or Release; Title – Substitution or Release of the Property."

Events of Default and Remedies

An Event of Default under the Sublease includes, among other events, (a) the failure of the County to pay any Rental Payment payable under the Sublease when the same becomes due and payable, time being expressly declared to be of the essence in the Sublease and (b) the failure by the County to observe and perform any of the other covenants, agreements or conditions on its part in the Sublease contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, the Authority or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the County, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time, provided, further, however, that the period of time for such cure shall not exceed 90 days without the prior written consent of the Authority. See APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS –SUBLEASE – Events of Default and Remedies."

In each and every case during the continuance of an Event of Default under the Sublease, the Trustee, as assignee of the Authority, shall have the right, without terminating the Sublease or the County's right to possession of the Property, to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Property. The Sublease provides that the County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and to pay the full amount of the Rental Payments to the end of the term of the Sublease; and further agrees to pay said Rental Payments punctually at the same time and in the same manner as provided in the Sublease, notwithstanding the fact that the Authority may have received in previous years or may receive hereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Sublease. Notwithstanding anything to the contrary contained in the Sublease, the Authority in the Sublease expressly waives (i) any right to terminate the Sublease or the County's right to possession of the Property thereunder regardless of whether or not the County has abandoned the Property and (ii) any right of entry or re-entry to take possession of and/or re-let the Property. Further, the Authority shall have no right to accelerate Rental Payments upon the occurrence or continuance of a default or an Event of Default under the Sublease. See "CERTAIN RISK FACTORS – Limitations on Remedies; No Acceleration Upon an Event of Default" and APPENDIX C – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS –SUBLEASE – Events of Default and Remedies."

DESCRIPTION OF THE PROPERTY

Pursuant to the Sublease, the County will pay to the Authority Rental Payments, including Base Rental Payments for the Bonds (including the Series 2019E Bonds), for and in consideration of the right to use and occupy the Property, which consists of the following:

- ***Certain components of the Martin Luther King, Jr. Community Hospital (the "MLK Hospital"):***

***MLK Hospital Main Lobby and Admitting Building* -** The Main Lobby and Admitting Building occupies approximately 8,402 square feet and includes a lobby, conference rooms, cashiers stations, gift shop, vending area and a waiting room.

***MLK Hospital In-Patient Tower Building* -** The In-Patient Tower ("IPT") is a five story building with a basement that occupies approximately 185,706 square feet. The renovation of the IPT is one of three main components of the MLK Hospital and includes a new emergency department, labor and delivery department, surgery, patient rooms and areas, treatment rooms, ultra-sound, radiology, electrical and mechanical rooms, storage rooms and offices.

***MLK Hospital - Hospital Service Building* -** The Hospital Service Building occupies approximately 29,067 square feet, is a concrete building consisting of two stories and houses a kitchen, linen storage, waste management, mail room, storage, a reception area, staff offices and an electrical room. Its loading dock features dock-high loading areas under a canopy cover and each truck well has hydraulic lifts. The loading dock contains approximately 5,462 square feet of platform area.

***MLK Hospital Ancillary Building* -** The Ancillary Building contains a kitchen and outdoor cafeteria, lobby, meeting rooms and offices and occupies approximately 25,917 square feet, with a basement that houses the mechanical room, passenger and freight elevators, electrical and storage rooms.

***MLK Hospital Healing Garden Area* -** The courtyard Healing Garden located north of the MLA Building and east of the Ancillary Building encompasses approximately 4,472 square feet.

- ***Los Angeles County Civic Center Heating and Refrigeration Plant.*** The Los Angeles County Civic Center Heating and Refrigeration Plant (the "Refrigeration Plant") is located on a 2.28 acre property in the City of Los Angeles situated on the north side of Temple Street, and extending between Hill Street and North Broadway. The site also has frontage on the south side of the Hollywood/Santa Ana (101) Freeway right-of-way. The Refrigeration Plant was originally constructed in 1959, and was modified as new systems and upgrades were implemented. It supplies electrical steam and chilled water to the Los Angeles County Civic Center and other nearby County buildings. The Refrigeration Plant's main building is a special-purpose industrial structure designed for a cogeneration facility that is divided into a boiler or heating plant that occupies the north section and a refrigeration plant that occupies the south portion.

- ***Internal Services Department Headquarters.*** The Internal Services Department Headquarters (the "ISD Headquarters") is located on a 32.8-acre property at 1100 North Eastern Avenue in the City of Los Angeles and consists of two one-story industrial buildings, one administrative office building, a metal industrial building, and one office/communications building. The combined gross building area is 455,383 square feet. The ISD Headquarters is occupied by the Internal Services Department of the County of Los Angeles ("ISD") and used as a maintenance, storage and service facility. ISD provides computer, telecommunications, building maintenance and repair, purchasing and contracts, vehicle repair, mail messenger and printing services to County departments.

- ***Manhattan Beach Library.*** The Manhattan Beach Library consists of a two-story 21,500 square foot library completed in January 2015, and located on County-owned property within the Manhattan Beach City Civic Center. The library includes a homework center, group study/tutoring rooms, 100-seat community meeting room, express-service checkout machines, automated materials handling system, information service desks, public access computers, and associated site improvements including landscaping, walkways and security lighting.

- ***Zev Yaroslavsky Family Support Center.*** The Zev Yaroslavsky Family Support Center is located on a 6.78 acre County-owned property in Van Nuys, California. The facility includes office space and facilitates the delivery of various health and social services on behalf of the Departments of Child Support Services, Children and Family Services, Health Services, Mental Health, Public Health, Public

Social Services and Probation. The facility consists of a five-story office building with 212,000 square feet of space, and a multi-story parking structure with approximately 1,350 parking spaces. The office building was completed in July 2015 and is designed to provide an efficient service delivery center for families requiring access to multiple government services. Construction of the parking structure was completed in September 2015.

- ***Antelope Valley Courthouse.*** The Antelope Valley Courthouse is located on a 17-acre site at the intersection of 4th Street West and Avenue M in the City of Lancaster in Los Angeles County. The courthouse consists of a five story building of approximately 380,000 square feet, and houses 21 courtrooms, related facilities including a cafeteria and surface and underground parking.

- ***Los Angeles County Superior Court — Airport Branch.*** The Airport Branch of the Los Angeles County Superior Court consists of a 10-story building totaling approximately 292,000 square feet, including 12 courtrooms, 14 judges' chambers and areas for supporting departments. This facility also includes 93 surface and subsurface parking spaces and a parking structure that accommodates between 400 and 450 vehicles. The Courthouse is located near the Los Angeles International Airport at 11707 South La Cienega Boulevard, south of the 105 Freeway in the City of Los Angeles.

- ***West San Fernando Valley Courthouse.*** The West San Fernando Valley Courthouse consists of a 302,000 square foot structure, with three stories above ground and one story below ground. The facility is located on a 9.6-acre site on the southeast corner of Winnetka Avenue and Plummer Street in the Chatsworth area of the City of Los Angeles. The Courthouse includes 16 municipal courtrooms, 22 judges' chambers and ancillary space for support services, with 703 surface parking spaces and 31 spaces on the lower level.

- ***Lost Hills Sheriff Station.*** The Lost Hills Sheriff Station is a 32,000 square foot sheriff station in an unincorporated area of the County near the City of Agoura. The site is located near the intersection of Agoura Road and Malibu Hills road on County-owned land. The station has a single story sheriff's building which includes thirty-one detention cells, a detox cell and a holding cell. This facility includes an emergency generator and complete heating, cooling and ventilation systems plus a fire sprinkler system. The station has a single story 5,800 square foot service building, including an auto repair shop. The station has evidence, bicycle and general storage areas and is equipped with a microwave communication tower and a helipad with refueling provisions.

CERTAIN RISK FACTORS

The following factors, along with all other information herein, should be considered by potential investors in evaluating the Series 2019E Bonds. However, they do not purport to be an exhaustive listing of risks and other considerations which may be relevant to an investment in the Series 2019E Bonds. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

Not a Pledge of Taxes

The Series 2019E Bonds shall be special obligations of the Authority, payable solely from the Lease Revenues and the other assets pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the Authority, the County or the State, or any political subdivision thereof, is pledged to the payment of the Series 2019E Bonds. The Authority has no taxing power and has no obligation to pay Base Rental Payments. The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State is obligated to levy or pledge any form of taxation or for which the County or the State has levied or pledged any form of taxation.

Although the Sublease does not create a pledge, lien or encumbrance upon the funds of the County, the County is obligated under the Sublease to pay the Base Rental Payments from legally available funds for the use and possession of the Property as provided therein and the County has covenanted in the Sublease to take such action as may be necessary to include all Base Rental Payments and Additional Rental Payments due thereunder in its annual budget and to make the necessary annual appropriations for all such Base Rental and Additional Rental Payments except to the extent such payments are abated in accordance with the Sublease. The County is currently liable on other obligations payable from general revenues, some of which may have priority over the Base Rental Payments and Additional Rental Payments.

Additional Obligations of the County

In addition to the provisions under the Indenture which permit the Authority to issue Additional Bonds payable from Lease Revenues on a parity with all other Bonds theretofore issued under the Indenture, the County is authorized to enter into other obligations which may constitute additional charges against its revenues. To the extent that additional obligations are incurred by the County, the funds available to make Base Rental Payments may be decreased.

The Base Rental Payments and other payments due under the Sublease (including payment of costs of replacement, maintenance and repair of the Property and taxes, other governmental charges and utility charges levied against the Property) are payable from funds lawfully available to the County. In the event that the amounts which the County is obligated to pay in a Fiscal Year exceed the County's revenues for such year, the County may choose to make some payments rather than making other payments, including Base Rental Payments, based on the perceived needs of the County. The same result could occur if, because of California constitutional limits on expenditures, the County is not permitted to appropriate and spend all of its available revenues. In such event, the County may not have sufficient funds available to pay the Base Rental Payments when due.

Adequacy of County Insurance Reserves or Insurance Proceeds

The County may self-insure for certain types of insurance required under the Sublease. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Insurance" and APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – SUBLEASE – Insurance." The County intends to self-insure for workers' compensation insurance and general liability insurance with respect to the Property. If the County elects to self-insure against other risks, no assurance can be given that the insurance reserves established by the County will be sufficient to satisfy any loss which the County may experience. See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Abatement" and "– Abatement" below.

Abatement

During any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, Rental Payments shall be abated, and the County waives any and all other rights to terminate the Sublease by virtue of any such interference, and the Sublease shall continue in full force and effect. The amount of such abatement shall be such that the resulting Rental Payments do not exceed the lesser of (i) the amount necessary to pay the Rental Payments remaining unpaid, and (ii) the fair rental value for the use and possession of the Property of which there is no such substantial interference. The County and the Authority shall provide the Trustee with a certificate setting forth the amount of such abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Sublease shall be extended as provided in the Sublease; provided, however, that such term shall in no event be extended more than ten years beyond the Scheduled Termination Date. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts.

In the event that such portion of the Property, if damaged or destroyed by an insured casualty, could not be replaced during the period of time in which proceeds of the County's rental interruption insurance will be available in lieu of Base Rental Payments, plus the period for which funds are available from the Reserve Fund or other funds and accounts established under the Indenture, or in the event that casualty insurance proceeds or condemnation proceeds are insufficient to provide for complete repair or replacement of such portion of the Property or redemption of the Bonds, there could be insufficient funds to make payments to Owners of the Series 2019E Bonds in full.

Bankruptcy

In addition to the limitation on remedies contained in the Indenture, the rights and remedies provided in the Indenture, the Site Lease, and the Sublease may be limited by and are subject to the provisions of federal bankruptcy laws and to other laws or equitable principles, as now or hereinafter enacted, that may affect the enforcement of creditors' rights. The various legal opinions to be delivered concurrently with the Series 2019E Bonds (including Bond Counsel's approving opinion) will be qualified as to the enforceability of the various agreements relating to the Series 2019E Bonds by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion. See "– Limitations on Remedies; No Right of Re-Entry or Re-let; No Acceleration" below.

As a result of the commencement of a bankruptcy case by either the County or the Authority, Owners could experience partial or total loss of their investment in the Series 2019E Bonds. The County is a governmental unit and the Authority is a public agency; therefore neither the County nor the Authority can be the subject of an involuntary case under the United States Bankruptcy Code (the "Bankruptcy Code"). However, pursuant to Chapter 9 of the Bankruptcy Code, the County and the Authority may seek voluntary protection from their respective creditors for purposes of adjusting their respective debts, provided that they comply with requirements of Section 53760 et seq. of the Government Code of the State. Under the Government Code as currently in effect, a local public entity, including the County and the Authority, is prohibited from filing under the Bankruptcy Code unless it has participated in a specified neutral evaluation process with interested parties, as defined, or it has declared a fiscal emergency and has adopted a resolution by a majority vote of the governing board at a noticed public hearing that includes findings that the financial state of the local public entity jeopardizes the health, safety, or well-being of the residents of the local public entity's jurisdiction or service area absent bankruptcy protections.

In the event that either the County or the Authority was to become a debtor under the Bankruptcy Code, the affected entity would be entitled to all of the protective provisions of the Bankruptcy Code as applicable in a Chapter 9 proceeding and an owner of a Series 2019E Bond would be treated as a creditor. Possible adverse effects of such a bankruptcy include, but are not limited to (i) the application of the automatic stay provisions of the Bankruptcy Code which, absent court approval, generally prohibit the commencement of any judicial or other action to recover a pre-petition claim against the County or the Authority, as applicable, any act to collect on a pre-petition debt or claim, or any act to obtain possession of the property of the County or the Authority, as applicable; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the commencement of the bankruptcy case; (iii) the existence of secured and/or unsecured creditors with allowed claims that may have priority over any claims of the Owners; and (iv) the possibility of the bankruptcy court's confirmation of a plan of adjustment of the debts of the County or the Authority, as applicable, which may restructure, delay, compromise or reduce the amount of the claim of the Owners.

In addition, under the Bankruptcy Code, certain provisions of the Site Lease and the Sublease that are based on the bankruptcy, insolvency or financial condition of the County or the Authority may be rendered unenforceable. Under the Indenture, the Trustee has a security interest in the all amounts on deposit from time to time in the funds and accounts established the Indenture, including the Base Rental Payments, for the benefit of the Owners, but such security interest arises only when the Base Rental Payments are actually received by the Trustee following payment by the County. The Property is not subject to a security interest, mortgage or any other lien in favor of the Trustee for the benefit of Owners.

If the County is in bankruptcy, the County may be able to obtain authorization from the bankruptcy court to sell to a third party the Property, free and clear of the Site Lease, the Sublease, and the rights of the Trustee and the Owners, over the objections of the Trustee and the Owners.

In bankruptcy, the County could either reject the Site Lease or the Sublease or assume the Site Lease or the Sublease despite any provision of the Site Lease or the Sublease which makes the bankruptcy or insolvency of the County an event of default thereunder. In the event the County rejects the Sublease, the Trustee, on behalf of the Owners, would have a pre-petition unsecured claim that may be substantially limited in amount. Moreover, such rejection would terminate the Sublease and the County's obligations to make payments thereunder. The County may also be permitted to assign the Sublease to a third party, regardless of the terms of the transaction documents, so that the County would not be obligated to make any further payments under the Sublease. In the event the County rejects the Site Lease, the Trustee, on behalf of the Owners, would have a pre-petition unsecured claim. Moreover, such rejection may terminate both the Site Lease and the Sublease and the obligations of the County to make payments thereunder. The County may be able to stay in possession of the Property, notwithstanding its rejection of the Site Lease or the Sublease.

If the Authority is in bankruptcy, the Authority may be able to either reject the Site Lease or the Sublease or assume the Site Lease or the Sublease despite any provision of the Site Lease or the Sublease which makes the bankruptcy or insolvency of the Authority an event of default thereunder. In the event the Authority rejects the Site Lease, the Trustee, on behalf of the Owners, would have a pre-petition unsecured claim that may be substantially limited in amount. Moreover, such rejection would terminate both the Site Lease and the Sublease and the obligations of the County to make payments thereunder, although the County may be able to remain in possession of the Property. In the event the Authority rejects the Sublease, the Trustee, on behalf of the Owners, would have a pre-petition unsecured claim that may be substantially limited in amount. Moreover, such rejection may terminate the Sublease and the County's obligations to make payments thereunder, although the County may be able to remain in possession of the Property. The Authority may also be permitted to assign the Site Lease or the Sublease to a third party, regardless of the terms of the transaction documents.

If the Authority is in bankruptcy, the lien of the Indenture may not attach to any payments made by the County after the commencement of the bankruptcy case. The provisions of the transaction documents that require the County to make payments directly to the Trustee rather than to the Authority may no longer be enforceable, and all payments may be required to be made to the Authority.

There may be delays in payments on the Series 2019E Bonds while the court considers any of these issues.

There may be other possible effects of a bankruptcy of the County or the Authority that could result in delays or reductions in payments on, or other losses with respect to, the Series 2019E Bonds. Regardless of any specific adverse determinations in a bankruptcy of the County or the Authority, the fact of a bankruptcy of the County or the Authority could have an adverse effect on the liquidity and value of the Series 2019E Bonds.

The adjustment plans approved in connection with the bankruptcies of the cities of Vallejo, San Bernardino and Stockton resulted in significant reductions in the amounts payable by the cities under lease obligations.

Limitations on Remedies; No Right of Re-Entry or Re-let; No Acceleration

In accordance with the Sublease, in each and every case during the continuance of an Event of Default under the Sublease, the Trustee, as assignee of the Authority, shall have the right, without terminating the Sublease or the County's right to possession of the Property, to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Property. The Sublease provides that the County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and to pay the full amount of the Rental Payments to the end of the term of the Sublease; and further agrees to pay said Rental Payments punctually at the same time and in the same manner as provided in the Sublease, notwithstanding the fact that the Authority may have received in previous years or may receive hereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Sublease. Notwithstanding anything to the contrary contained in the Sublease, the Authority in the Sublease expressly waives (i) any right to terminate the Sublease or the County's right to possession of the Property thereunder regardless of whether or not the County has abandoned the Property and (ii) any right of entry or re-entry to take possession of and/or re-let the Property. Further, the Authority shall have no right to accelerate Rental Payments upon the occurrence or continuance of a default or an Event of Default under the Sublease.

If the County defaults on its obligations to make Rental Payments, the Trustee, as assignee of the Authority's rights under the Sublease, would be required to seek a separate judgment each year for that year's defaulted Rental Payments. Any such suit would be subject to limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds of a fiscal year other than the fiscal year in which the Rental Payments were due and against funds needed to serve the public welfare and interest.

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

The Authority in the Sublease expressly waives any right to terminate the Sublease. Thus, the Trustee may not terminate the Sublease and proceed against the County to recover damages.

Hazardous Substances

Beneficial use of the Property may be limited by the discovery of hazardous materials or the existence or handling of hazardous material in a manner inconsistent with applicable law. In general, the owners and lessees of the Property may be required by law to remedy conditions of such parcel relating to release or threatened releases of hazardous substances. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, sometimes referred to as "CERCLA" or the "Superfund Act," is the most well-known and widely applicable of these laws, but California laws with regard to hazardous substances are also similarly stringent. Under many of these laws, the owner or lessee is obligated to remedy a hazardous substance condition of the property whether or not the owner or lessee had anything to do with creating or handling the hazardous substance.

Further it is possible that the beneficial use of the Property may be limited in the future resulting from the current existence on the Property of a substance currently classified as hazardous but which has not been released or the release of which is not presently threatened, or may arise in the future resulting from the current existence on the Property of a substance not presently classified as hazardous but which may in the future be so classified. Further, such liabilities may arise not simply from the existence of a hazardous substance but from the method in which it is handled. All of these possibilities could significantly limit the beneficial use of the Property.

The Property includes various real property and improvements thereto, including MLK Hospital, the typical operations of which include the handling, use, storage, transportation, disposal and discharge of hazardous, infectious, toxic, radioactive, flammable and other hazardous materials, wastes, pollutants and contaminants. The County is unaware of the existence of hazardous substances on the Property sites which would materially interfere with the beneficial use thereof.

Seismic Events

The Property is located in an area of seismic activity from movements along active fault zones and, therefore, could be subject to potentially destructive earthquakes. Additionally, numerous minor faults transect the area. Seismic hazards encompass both potential surface rupture and ground shaking. The occurrence of severe seismic activity in the area of the County could result in substantial damage and interference with the County's right to use and occupy all or a portion of the Property, which could result in the Base Rental Payments being subject to abatement. Each of the facilities constituting the Property was constructed in compliance with applicable seismic standards. See "CERTAIN RISK FACTORS – Abatement." The Sublease does not require the County to procure and maintain insurance for damage caused by an earthquake. Presently, the County has insurance for damage to the Property caused by an earthquake, but is not obligated to maintain such insurance and no assurance is provided that the County will maintain such insurance.

Cybersecurity

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

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

No assurances can be given that the County's security and operational control measures will be successful in guarding against any and each cyber threat and attack. The results of any attack on the County's computer and information technology systems could impact its operations and damage the County's digital networks and systems, and the costs of remedying any such damage could be substantial.

No Liability of Authority to the Owners

Except as expressly provided in the Indenture, the Authority will not have any obligation or liability to the Owners of the Series 2019E Bonds with respect to the payment when due of the Base Rental Payments by the County, or with respect to the performance by the County of other agreements and covenants required to be performed by it contained in the Sublease or the Indenture, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Indenture.

Financial Conditions in Local, State and National Economies

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

Maintenance of MLK-LA Tax-Exempt Status

Martin Luther King, Jr.-Los Angeles ("MLK-LA") is a tax-exempt organization described in Section 501(c)(3) of the Code. MLK-LA operates Martin Luther King, Jr. Community Hospital in Los Angeles, California. MLK-LA uses several components of the Property. In addition, certain facilities which have been financed with the proceeds of the 2019 Series E-2 Bonds may be leased to MLK-LA. The federal tax-exempt status of the 2019 Series E-2 Bonds may depend, in part, upon maintenance by MLK-LA of its status as an organization described under Section 501(c)(3) of the Code which includes conducting its operations in a manner consistent with the representations previously made to the Internal Revenue Service (the "IRS") and with current and future IRS regulations and rulings governing tax-exempt healthcare facilities. The loss of the tax-exempt status of MLK-LA could result in the loss of excludability of interest on the 2019 Series E-2 Bonds in gross income for federal income tax purposes. MLK-LA has covenanted to maintain its status as an organization described under Section 501(c)(3)of the Code and not take any action that would adversely affect the exclusion from gross income of interest on the 2019 Series E-2 Bonds. However, there can be no assurance that MLK-LA will maintain its tax-exempt status or that future changes in the laws and regulations of the federal, state or local governments will not materially and adversely affect the tax-exempt status of MLK-LA and the excludability of interest on the 2019 Series E-2 Bonds in gross income for federal income tax purposes retroactive to their date of issue. See "TAX MATTERS" herein.

The IRS and state, county and local tax authorities have undertaken audits and reviews of the operations of tax-exempt hospitals with respect to their exempt activities and the generation of unrelated business taxable income ("UBTI"). MLK-LA may participate in activities that may generate UBTI. An investigation or audit could lead to a challenge that could result in taxes, interest and penalties with respect to unreported UBTI and in some cases ultimately could affect the tax-exempt status of MLK-LA as well as the exclusion from gross income for federal income tax purposes of the interest payable on the 2019 Series E-2 Bonds.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) with respect to the Series 2019E Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) with respect to the Series 2019E Bonds is exempt from State of California personal income tax.

The difference between the issue price of a Series 2019E Bond (the first price at which a substantial amount of the Series 2019E Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to the Series 2019E Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to the owner of the Series 2019E Bond before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by the owner of a Series 2019E Bond will increase the owner's basis in the applicable Series 2019E Bond. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a Series 2019E Bond is excluded from the gross income of such owner for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, the amount of original issue discount that accrues to the owner of a Series 2019E Bond is exempt from State of California personal income tax.

Proceeds of the 2019 Series E-2 Bonds might benefit the Martin Luther King, Jr. ─ Los Angeles (MLK-LA) Healthcare Corporation (the "Corporation"); consequently, the 2019 Series E-2 Bonds are being issued as "qualified 501(c)(3) bonds" within the meaning of Section 145 of the Code. Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) with respect to the Series 2019E Bonds is based upon certain representations of fact and certifications made by the County, and, with respect to the 2019 Series E-2 Bonds only, the Corporation, and others and is subject to the condition that the County, and, with respect to the 2019 Series E-2 Bonds only, the Corporation, comply with all requirements of the Code, that must be satisfied subsequent to issuance of the Series 2019E Bonds to assure that interest (and original issue discount) with respect to the Series 2019E Bonds will not become includable in gross income for federal income tax purposes, including, with respect to the 2019 Series E-2 Bonds only, that the Corporation continue to be described under Section 501(c)(3) of the Code. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) with respect to the Series 2019E Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2019E Bonds. The County, and, with respect to the 2019 Series E-2 Bonds only, the Corporation, have covenanted to comply with all such requirements.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Series 2019E Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable premium, which must be amortized under Section 171 of the Code; such amortizable premium reduces the Beneficial Bond Owner's basis in the applicable Series 2019E Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Beneficial Bond Owner realizing a taxable gain when a Series 2019E Bond is sold by the Beneficial Owner for an amount equal to or less (under certain circumstances) than the original cost of the Series 2019E Bond to the Beneficial Owner. Purchasers of the Series 2019E Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable premium.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture, the Lease Agreement and the Tax Certificate relating to the Series 2019E Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income for federal income tax purposes of interest (or original issue discount) on any Series 2019E Bond if any such action is taken or omitted based upon the advice of counsel other than Bond Counsel.

Although Bond Counsel will render an opinion that interest (and original issue discount) with respect to the Series 2019E Bonds is excluded from gross income for federal income tax purposes provided that the County and Corporation continue to comply with certain requirements of the Code, the ownership of the Series 2019E Bonds and the accrual or receipt of interest (and original issue discount) with respect to the Series 2019E Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Series 2019E Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Series 2019E Bonds.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Series 2019E Bonds will be selected for audit by the IRS. It is also possible that the market value of the Series 2019E Bonds might be affected as a result of such an audit of the Series 2019E Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Series 2019E Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) with respect to the Series 2019E Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2019E BONDS THERE MIGHT BE FEDERAL, STATE, OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE, OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE, OR LOCAL TAX TREATMENT OF THE SERIES 2019E BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE SERIES 2019E BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE SERIES 2019E BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2019E BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE SERIES 2019E BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE SERIES 2019E BONDS.

The form of Bond Counsel's proposed opinion with respect to the Series 2019E Bonds is attached hereto in Appendix F.

CONTINUING DISCLOSURE

Pursuant to the Continuing Disclosure Certificate to be executed in connection with the issuance of the Series 2019E Bonds, the County has covenanted to provide, or cause to be provided, by not later than April 1 of each fiscal year, commencing on April 1, 2020, to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access system certain annual financial information and operating data and, in a timely manner, notice of certain enumerated events. These covenants have been made in order to assist the Underwriters of the Series 2019E Bonds in complying with the Rule. See APPENDIX E – "FORM OF CONTINUING DISCLOSURE CERTIFICATE."

The County did not timely file the operating data and audited financial statements for Fiscal Year 2013-14 (the "2014 Annual Report") with respect to the Los Angeles County Public Works Financing Authority Refunding Revenue Bonds (Los Angeles County Regional Park and Open Space District), Series 2005A and did not timely file a notice of a rating upgrade with respect to the Community Facilities District No. 3 (Valencia/Newhall Area) of the County of Los Angeles, Improvement Area B Special Tax Refunding Bonds, Series 2011A. In addition, the notice of a rating upgrade with respect to the Los Angeles County Public Works Financing Authority, Lease Revenue Bonds, 2016 Series D (the "2016D Bonds") did not identify all of the applicable CUSIPs of this issue. The County has filed a notice of failure to timely file the 2014 Annual Report and notice of the rating change with the applicable CUSIPs for the 2016D Bonds.

CERTAIN LEGAL MATTERS

The validity of the Series 2019E Bonds and certain other legal matters are subject to the approving opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, Bond Counsel to the Authority. Bond Counsel has not undertaken any responsibility for the accuracy, completeness or fairness of this Official Statement. A complete copy of the proposed form of opinion of Bond Counsel is contained in APPENDIX F – "FORM OF OPINION OF BOND COUNSEL." Certain legal matters will be passed upon for the Authority and the County by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and County Counsel, and for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Los Angeles, California.

FINANCIAL STATEMENTS

The financial statements of the County for the Fiscal Year ended June 30, 2018, 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 13, 2018.

MUNICIPAL ADVISOR

Public Resources Advisory Group has served as Municipal Advisor to the County in connection with the issuance of the Series 2019E Bonds. 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.

LITIGATION

To the best knowledge of the County and the Authority, there is no litigation pending or threatened against the County or the Authority concerning the validity of the Series 2019E Bonds or challenging any action taken by the County or the Authority in connection with the authorization of the Indenture, the Sublease or any other document relating to the Series 2019E Bonds to which the County or the Authority is or is to become a party or the performance by the County or the Authority of any of their obligations under any of the foregoing.

There are a number of lawsuits and claims pending against the County. Included in these are a number of property damage, personal injury and wrongful death actions seeking damages in excess of the County's insurance limits. In the opinion of the County Counsel, such suits and claims as are presently pending will not materially impair the ability of the County to make the Rental Payments when due. See APPENDIX A – "THE COUNTY OF LOS ANGELES INFORMATION STATEMENT – General Litigation."

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and S&P Global Ratings (S&P) have assigned the Series 2019E Bonds ratings of "___", "__" and "__," respectively. Such ratings reflect only the views of Fitch, Moody's and S&P, and do not constitute a recommendation to buy, sell or hold the Series 2019E Bonds. Explanation of the significance of such ratings, including any outlook thereon, may be obtained only from the respective organizations at: Fitch Ratings, One State Street Plaza, New York, New York 10004; Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007-2796; and S&P Global Ratings, 55 Water Street, New York, New York 10041. The County furnished the ratings agencies with certain information and materials concerning the Series 2019E Bonds, the Project, the County and related matters, some of which is not included herein. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that any such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of any such rating agency circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2019E Bonds.

UNDERWRITING

The Series 2019E Bonds are being purchased by Citigroup Global Markets Inc., as representative of itself and the underwriters identified on the cover page of this Official Statement (collectively, the "Underwriters"). The Underwriters have agreed to purchase the Series 2019E Bonds from the County and the Authority at an aggregate purchase price of $____________ (consisting of the aggregate principal amount of the Series 2019E Bonds of $__________, plus a net original issue premium of $_________ and less underwriters' discount of $_________, pursuant to the terms of the Bond Purchase Agreement, dated ______, 2019, among the County, the Authority and the Underwriters. The Bond Purchase Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Series 2019E Bonds offered under the Bond Purchase Agreement if any of the Series 2019E Bonds offered thereunder are purchased.

Citigroup Global Markets Inc., an Underwriter of the Certificates, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup Global Markets Inc. will compensate Fidelity for its selling efforts with respect to the Certificates.

J.P. Morgan Securities LLC, one of the underwriters of the Series 2019E Bonds, has entered into negotiated dealer agreements (each, a "JP Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each JP Agreement, each of CS&Co. and LPL may purchase the Series 2019E Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2019E Bonds that such firm.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

ADDITIONAL INFORMATION

This Official Statement and its distribution have been duly authorized by the County and the Authority.

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX A

THE 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 10.1 million in 2018, the County is the most populous of the 58 counties in California and has a larger population than 41 states.

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

COUNTY GOVERNMENT

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

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.

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 and facilitating more effective decision making in response to the Board of Supervisors' policy objectives.

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

COUNTY SERVICES

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

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

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

Health and Welfare

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

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

Disaster Services

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

Public Safety

The County criminal justice network is primarily supported by local County revenue sources, State Public Safety sales tax revenue and fees from contracting cities. The Sheriff provides county-wide law enforcement services and will perform specific functions requested by local police departments, including the training of thousands of police officers employed by the incorporated cities of the County. Specifically, the County provides training for narcotics, vice, homicide, consumer fraud, and arson investigations, as well as assistance in locating and analyzing crime scene evidence. The County also operates and maintains one of the largest jail systems in the United States, with an average daily inmate population of approximately 17,024 inmates. This number includes approximately 409 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 4,700 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 181 parks and operates a network of regional recreational facilities, including Marina del Rey (a small craft harbor), 9 regional parks, 40 neighborhood parks, 20 community parks, 14 wildlife sanctuaries, 11 nature centers, 43 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 111,056 with 88% of the workforce represented by sixty-two (62) separate collective bargaining units that are certified employee organizations. These organizations include the Services Employees International Union ("SEIU") Local 721, which includes twenty-four (24) collective bargaining units that represent 57% of County employees; the Coalition of County Unions ("CCU"), which includes twenty-two (22) collective bargaining units representing 23% of County employees; and the Independent Unions (the "Independent Unions"), which encompass sixteen (16) collective bargaining units representing 8% of County employees. Under labor relations policy direction from the Board of Supervisors and Chief Executive Officer, the CEO Employee Relations Division is responsible for negotiating sixty-two (62) individual collective bargaining agreements for wages and salaries and an additional two (2) fringe benefit agreements with SEIU Local 721 and the CCU. The Independent Unions are covered by one of the two fringe benefit agreements.

The current Memoranda of Understanding ("MOUs") with the various collective bargaining units cover wages, salaries and fringe benefits. The County has agreed to terms with 58 of the 62 collective bargaining units and continues to negotiate with the remaining 4 units. The 58 settled MOUs have three-year terms and provide for a 7% cost of living increase over the term of the agreements, which have multiple expiration dates ranging from December 31, 2020 to September 30, 2021. Non-represented employees will also receive the 7% cost of living increase received by represented employees.

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

Due to the agreements reached with SEIU and CCU, the Board of Supervisors approved comparable salary adjustments for most non-represented employees, except for the salaries of

Tier 1 Management and Appraisal and Performance Plan participants, which include department heads.

RETIREMENT PROGRAM

General Information

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

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

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

LACERA's total membership as of June 30, 2018 was 178,260, consisting of 71,988 active vested members, 26,486 active non-vested members, 64,880 retired members and 14,906 terminated vested (deferred) members. Of the 98,474 active members (vested and non-vested), 85,703 are general members in General Plans A through G, and 12,771 are safety members in Safety Plans A through C.

Of the 64,880 retired members, 52,292 are general members in General Plans A through G, and 12,588 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, 2018, approximately 51% of the total active general members (vested and non-vested) were enrolled in General Plan D, and over 80% 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, 2018 Actuarial Valuation (the "2018 Actuarial Valuation"), the total employer contribution rate in Fiscal Year 2019-20 for new employees hired on and after January 1, 2013 is 19.42% for General Plan G and 24.68% for Public Safety Plan C. The new employer contribution rates are similar to the comparative rates of 19.42% for General Plan D participants and 26.31% for Public Safety Plan B participants. The basic benefit structure of Plan G using the PEPRA funding formula is "2.5% at 67" and provides for annual 2.0% cost of living adjustments during retirement, with no benefit reductions for members who retire at age 61 or older. For Safety Plan C, the benefit structure is a "2.7% at 57" formula that provides for annual 2.0% cost of living adjustments during retirement, with no benefit reductions beginning at age 50. Overall, the implementation of General Plan G and Safety Plan C is expected to result in a slight decrease to the total normal cost rate and an increase in the average member contribution rate, thus resulting in a decrease in the total employer contribution rate.

Contributions

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

Investment Policy

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

Actuarial Valuation

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

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

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

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. The next Milliman Investigation of Experience for Retirement Benefit Assumptions is scheduled to be released in December 2019.

UAAL and Deferred Investment Returns

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 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 10.2% 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 $49.358 billion to $52.166 billion as of June 30, 2017. The 2017 Actuarial Valuation reported that the AAL increased 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. The Funded Ratio (actuarial value of Retirement Fund assets divided by the AAL) as of June 30, 2017 was 79.9%, which represented a slight increase from the 79.4% Funded Ratio as of June 30, 2016.

The 2017 Actuarial Valuation provided the basis for establishing the contribution rates effective July 1, 2018. The County's required contribution rate increased from 19.70% to 20.04% of covered payroll in Fiscal Year 2018-19. The increase in the contribution rate was primarily caused by a 0.55% cost increase from the three-year phase-in of the new actuarial assumption changes approved by the Board of Investments in December 2016, which was partially offset by a decrease in the funding requirement to finance the UAAL over 30 years from 11.24% to 11.06%, and a 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 included the second part of the three-year phase in of the 2.87% increase in the contribution rate attributable to the changes in actuarial assumptions approved by the Board of Investments in December 2016. 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 did 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.

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

The 2018 Actuarial Valuation provides the basis for establishing the contribution rates effective July 1, 2019. The County's required contribution rate will increase from 20.04% to 20.91% of covered payroll in Fiscal Year 2019-20. The increase in the contribution rate was primarily caused by a 0.96% cost increase from the last year of the three-year phase-in of the new actuarial assumption changes approved by the Board of Investments in December 2016, which was partially offset by a decrease in the funding requirement to finance the UAAL over 30 years from 11.06% to 10.99%, and a slight decrease in the normal cost contribution rate from 9.94% to 9.92%.

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

As of May 31, 2019, LACERA reported a 2.9% fiscal year to date net return on Retirement Fund assets, which is lower than the actuarial assumed investment rate of return of 7.25%.

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

Pension Funding

Since Fiscal Year 1997-98, the County has funded 100% of its annual actuarially required contribution to LACERA. In Fiscal Years 2016-17 and 2017-18, the County's total contributions to the Retirement Fund were $1.335 billion and $1.499 billion, respectively. In Fiscal Year 2018-19, the County's required contribution payments are projected to increase by approximately $136.4 million or 9.09% to $1.635 billion. For Fiscal Year 2019-20, the County is estimating retirement contribution payments to LACERA of $1.796 billion, which would represent a 9.83% or $160.7 million increase from Fiscal Year 2018-19.

A summary of actual and projected County pension payments to LACERA for the eight-year period ending June 30, 2020 is presented in Table 3 ("County Pension and OPEB Payments") at the end of this Information Statement section.

STAR Program

The Supplemental Targeted Adjustment for Retirees program ("STAR Program") is a discretionary program that provides a supplemental cost-of-living increase from excess earnings to restore retirement allowances to 80% of the purchasing power held by retirees at the time of retirement. As of June 30, 2018, $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 2018 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 20.91% to 21.35% for Fiscal Year 2019-20, and the Funded Ratio would have decreased from 80.6% to 79.7% as of June 30, 2018. The exclusion of the STAR Program Reserve from the valuation assets would require the County to increase its required contribution to LACERA by approximately $41 million in Fiscal Year 2019-20.

Pension Accounting Standards

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

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

The new GASB pension standards are only applicable to the accounting and reporting for pension benefits in the County's financial statements. Accordingly, there will be no impact on the County's existing statutory obligations and policies to fund pension benefits. For the Fiscal Year ended June 30, 2018 the County reported a Net Pension Liability of $10.850 billion, which represents a $577 million or 6% increase from the $10.273 billion Net Pension Liability reported as of June 30, 2017.

Other Postemployment Benefits (OPEB)

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

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

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

On June 22, 2015, the Board of Supervisors approved a multi-year plan to begin pre-funding the County’s unfunded OPEB liability (the “OPEB Pre-funding Plan”). The OPEB Pre-funding Plan requires the County to fully fund the OPEB annual required contribution (“ARC”) by incrementally increasing the annual contribution to the OPEB Trust. In Fiscal Year 2017-18, the County contributed $120.8 million to the OPEB Trust in excess of the pay as you go amounts. The County expects to contribute $180.9 million and $246.2 million in excess of the pay as you go amounts in Fiscal Years 2018-19 and 2019-20, respectively. In future fiscal years, the County expects to incrementally increase its OPEB funding by approximately $60 million per year, which includes an annual $25 million increase in the Net County Cost (“NCC”) contribution from the General Fund and a $35 million annual increase funded by subvention revenue. Based on current projections for the OPEB Pre-funding Plan, the OPEB ARC will be fully funded by Fiscal Year 2027-28. As of May 31, 2019, the balance of the OPEB Trust was $1.1 billion.

Investment Policy

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

OPEB Accounting Standards

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

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

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

The new requirement from GASB 75 to recognize the full amount of net OPEB liabilities in the financial statements is a substantive and material change to the previous standards. Prior accounting standards only required recognition of OPEB liabilities to the extent that OPEB funding was less than the actuarially determined amount. As of June 30, 2018, the County’s Statement of Net Position recognized $25.249 billion of OPEB liabilities which represented an $11.098 billion or 78.4% increase from the $14.151 billion obligation reported as of June 30, 2017. The new GASB OPEB standards are only applicable to accounting and reporting for OPEB benefits in the County’s financial statements. Accordingly, there is no impact on the County’s existing statutory obligations and policies to fund the OPEB benefits.

OPEB Actuarial Valuation

In order to comply with the requirements of GASB 74 and GASB 75, LACERA engaged Milliman to complete actuarial valuations of OPEB liabilities for the LACERA plans. In their OPEB valuations, Milliman has provided a determination of the AAL for LACERA’s health, dental, vision and life insurance benefit plans. The County’s members comprise approximately 95% of LACERA’s retiree population and the County is responsible for this percentage of OPEB costs. The 5% of LACERA retirees who do not contribute to the County’s OPEB liability are predominantly members of the Los Angeles Superior Court. The demographic and economic assumptions used in the OPEB valuations are modeled on the assumptions used by LACERA for its pension program. The healthcare cost assumptions are based on discussions with other consultants and actuaries used by the County, LACERA and labor groups.

In June 2018, Milliman released the County's OPEB actuarial valuation report as of July 1, 2017 which served as the basis for the GASB 75 disclosure report, also prepared by Milliman and issued in July 2018 (the "2018 GASB 75 Report"). In the 2018 GASB 75 Report, Milliman reported a Net OPEB Liability of $26.469 billion for LACERA's OPEB program (including employees of the Los Angeles Superior Court). The County's share of this liability is $25.249 billion.

OPEB Contributions

In Fiscal Years 2016-17 and 2017-18, the total "pay as you go" payments from the County to LACERA for retiree health care benefits were $528.9 million and $559.1 million, respectively. In Fiscal Year 2018-19, payments to LACERA for OPEB are projected to increase by $42.6 million or 7.6% to $601.7 million. For Fiscal Year 2019-20, the County is projecting $646.4 million in OPEB payments to LACERA, which would represent a 7.4% or $44.7 million increase from Fiscal Year 2018-19.

Long-Term Disability Benefits

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

The County has determined that the liability related to long-term disability benefits is an additional OPEB liability, which is reported as a component of the Net OPEB Liability in the CAFR. Following completion of the original OPEB Valuation, the County engaged Buck Consultants to prepare actuarial valuations of the long-term disability portion of its DBP. The latest valuation, as of July 1, 2017 included information related to GASB 75. In the 2017 LTD Valuation, the total OPEB liability for the County's long-term DBP was $1.073 billion, compared to the long-term DBP obligation of $376.2 million as of June 30, 2017.

In Fiscal Years 2016-17 and 2017-18, the County made total DBP payments of $38.8 million and $41.1 million, respectively. For Fiscal Years 2018-19 and 2019-20, the County is projecting total DBP payments of $44.5 million and $47.6 million, respectively. As of June 30, 2018, the County's total net OPEB liability of $26.322 billion includes $25.249 billion for retiree healthcare and $1.073 billion for long-term disability benefits.

LITIGATION (TO BE UPDATED)

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

Wage and Hour Cases

In 2017 and 2018, three federal collective action complaints (*Trina Ray v. Los Angeles County Department of Public Social Services*; *Thomas Ferguson v. County of Los Angeles; Pieter Vandenberg v. County of Los Angeles)* were filed against the County in connection with alleged violations of the Fair Labor Standards Act (the "FLSA"). The *Trina Ray* complaint relates to an alleged failure to pay overtime compensation to individuals providing assistance under the State and County's In-Home Supportive Services Program. The court ruled that plaintiffs can seek overtime pay under the FLSA only from November 12, 2015 to January 31, 2016. The *Ferguson* and *Vandenberg* complaints relate to an alleged failure to properly calculate overtime compensation. These two cases are based on a Ninth Circuit decision, *Flores v. City of San Gabriel*, which held that cash paid to employees in lieu of benefits must be included when calculating the hourly rate of overtime pay. The potential liability in each case depends on, among other things, the amount of damages that are demonstrated and the size of the collective class. The cases are in their early stages and the County is unable to determine at this time the potential liability relating thereto.

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

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

In March 2019, Service Employees International Union filed a lawsuit seeking to enforce a December 2018 arbitrator's decision against the County holding that certain classes of Eligibility Workers in the Department of Public Social Services were not properly paid "bonus pay" going back to 2004. The case is in the early stages and the County is unable to determine at this time the potential liability relating thereto.

Public Safety Cases

On December 16, 2014, the Board of Supervisors entered into a settlement agreement in the *Rosas v. Baca, et al.* lawsuit. *Rosas v. Baca, et al* is a Federal class action lawsuit filed by the American Civil Liberties Union (ACLU) alleging a pattern and practice of excessive use of force in the County jails. Under the terms of the agreement, the Sheriff's Department will implement various reforms recommended by a court-appointed panel of monitors. The settlement agreement requires that the Sheriff's Department comply with various recommendations by specific target dates. The County continues to make progress toward compliance with these recommendations.

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

In 2010, a lawsuit was filed *(Amador v. Baca, et. al.)* claiming that the County and the Sheriff's Department ("Department") violated the constitutional rights of female inmates through the use of unlawful strip searches. In November 2016, the court certified two classes and three subclasses of female inmates who were searched between 2008 and 2015. In June 2017, the court ruled that the conditions under which the searches occurred rendered them unconstitutional. The potential class has approximately 93,000 members. The County has reached a tentative settlement of $53 million to be paid in three installments twelve months apart. The first installment will not be paid until after the class has been notified, which will most likely occur in Fiscal Year 2019-20.

A lawsuit was filed in October, 2012, and subsequently certified as a class action (*Roy v. County of Los Angeles*), alleging that plaintiffs were unlawfully detained by County jail personnel after U.S. Immigration and Customs Enforcement (ICE) placed immigration holds on them. The parties are actively engaged in settlement discussions. The potential liability exposure to the County is estimated to be $15 million.

Social Services Cases

In July 2013, F.M. *v. County of Los Angeles* was filed, alleging that the Department of Children and Family Services failed to properly investigate referrals for general neglect, and thus did not discover that plaintiff (a minor) was being sexually abused. On July 26, 2018, the jury returned a verdict for the plaintiff. The County's portion of the settlement totaled approximately $10.5 million, which will be paid in five annual installments beginning in 2019.

Tax Cases

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 sought 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 late 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 potential liability from this incident to have a material adverse impact to the General Fund.

In April 2018, two purported class-action lawsuits—*Ocana v. Renew Financial Holdings, Inc. et al.* and *Nemore v. Renovate America, Inc., et al.*—were filed against the County and the two contractors administering the County's residential Property Assessed Clean Energy Program (the "PACE Program"). The County's PACE Program allows participating homeowners to finance energy-efficient upgrades to their homes through an assessment against their properties that is collected on their annual property tax bills. The lawsuits allege the County and its third-party administrators for the PACE Program (Renew Financial Holdings and Renovate America) engaged in financial elder abuse by approving elderly property owners for PACE assessments who did not have the financial ability to repay the assessments, thus putting them at risk of defaulting and potentially subjecting their properties to foreclosure. The lawsuits seek cancellation of the assessments. Both class actions have been consolidated and the County's demurrer to plaintiffs' first amended complaint remains pending. The program administrators are contractually obligated to indemnify the County and provide for its defense. The County does not expect any liability from these cases to have a material adverse impact to the General Fund.

In November 2017, *Maria Solis Munoz v. County of Los Angeles* was filed, alleging that a Sheriff's Department deputy negligently drove through an intersection against a red light, setting off a chain of events leading to the collision of the deputy's car with the plaintiff and her two minor sons, both of whom suffered fatal injuries. The parties are actively engaged in settlement discussions. The potential liability exposure to the County is estimated to be $18.5 million.

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
06/30/2011	$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%
06/30/2018	56,299,982	55,233,108	68,527,354	13,294,246	80.60%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2018.

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
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%
2017-18	56,299,982	9.0%	81.3%

Source: Milliman Actuarial Valuation (of LACERA) for June 30, 2018.

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

	Payments to LACERA				
Fiscal Year	Retirement Fund	OPEB (PAYGO)	OPEB (Prefund)	OPEB Disability	Total Retirement & OPEB Payments
2012-13	$1,118,514	$441,062	$448,819	$37,598	$2,045,993
2013-14	1,262,754	446,979	0	37,320	1,747,053
2014-15	1,430,462	450,202	0	39,920	1,920,584
2015-16	1,383,897	507,698	72,489	37,597	2,001,681
2016-17	1,334,825	529,074	61,145	38,778	1,963,822
2017-18	1,499,212	559,233	120,796	41,141	2,220,382
2018-19	1,635,564 *	604,510 *	182,851 *	44,053	2,466,978
2019-20	1,796,292 *	628,150 *	246,226 *	47,560	2,718,228

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 78.9% of the 2019-20 Adopted 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 11.2% of the 2019-20 Adopted 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 0.6% of the 2019-20 Adopted 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 6.7% of the 2019-20 Adopted 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 2.6% of the 2019-20 Adopted 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 2019-20 is $26,495,255,270. The 2018-19 Adopted Budget included proceeds from taxes of $10,093,850,000, which is substantially below the statutory limit.

Proposition 62

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

Proposition 218

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

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

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

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

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

Proposition 1A 2004

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

Proposition 26

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

Future Initiatives

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

FEDERAL AND STATE FUNDING

A significant portion of the County budget is comprised of revenues received from the Federal and State governments. As indicated in the table "Historical Appropriations by Fund" on page A-21 of this Appendix A, $4.984 billion of the $26.096 billion 2019-20 Adopted General County Budget is received from the Federal government and $6.787 billion is funded by the State. The remaining $14.325 billion of County revenues are generated from property taxes and a variety of other sources. The fact that 45% 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 11, 2019, the President released an initial summary of his $4.7 trillion proposed budget for Federal Fiscal Year (FFY) 2020, followed by additional details on March 18, 2019. The budget includes changes to major mandatory spending programs of interest to the County that would result in $2.8 trillion in spending cuts over the next ten years. This includes $845.0 billion from Medicare, $1.5 trillion for Medicaid, $219.8 billion for the Supplemental Nutrition Assistance Program, $21.0 billion for the Temporary Assistance for Needy Families benefits and $1.6 billion for the Social Services Block Grant.

Additionally, the President's budget summary proposes to eliminate or significantly curtail funding for a number of discretionary programs through which the County receives funding. These proposed eliminations include the Community Development Block Grant ($3.3 billion), HOME Investment Partnerships program ($1.3 billion), Public Housing Capital Fund ($2.8 million), Choice Neighborhoods ($150.0 million), Senior Community Service Employment program ($400.0 million), Low Income Home Energy Assistance ($3.7 billion), and the Economic Development Administration ($265.0 million). It also proposes to reduce funding for programs such as the Public Housing Operating Fund, the State Homeland Security Grant program, and the Urban Area Security Initiative, among other programs.

On June 6, 2019, the President signed into law H.R. 2157, *the Additional Supplemental Appropriations for Disaster Relief Act for 2019*, which provides $19.1 billion in disaster relief funding for natural disasters. The legislation provides funding for the California wildfires, including County-supported funding for the Woolsey Fire.

The House has made progress in advancing FFY 2020 appropriation bills:

- On June 19, 2019, the House passed H.R. 2740 (DeLauro), *the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act of 2019*. This measure contains $982.8 billion in discretionary funding for various health, human services, child welfare, workforce development, and early education programs of interest to the County for Federal Fiscal Year (FFY) 2020.

- On June 25, 2019, the House passed H.R. 3055 (Serrano), *the Departments of Commerce, Justice, Science, Agriculture-Rural Development FDA, Interior Environment, Military Construction-Veterans Affairs, and Transportation-Housing and Urban Development*. This measure contains $383.3 billion in discretionary budget funding for housing, transportation, and justice programs of the interest to the County.

Overall, both H.R. 2740 and H.R. 3055 provide either level funding compared to FFY 2019 or increased funding for programs of interest to the County, including programs that the President proposed to eliminate or curtail in his proposed budget for FFY 2020. With passage of H.R. 2740 and H.R. 3055, the House has completed action on 10 of the 12 appropriations bills for FY 2020. At this time, it is unclear whether the remaining two bills (Homeland Security and Legislative Branch) will see House Floor action or instead will be dealt with in comprehensive appropriations negotiations with the Senate.

Congress has not yet resolved the top-line budget funding levels for FY 2020. As a result, the Senate is holding off on introducing appropriation legislation until Congress reaches an agreement on lifting the Budget Control Act caps.

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 2016-17 and 2017-18, the County General Fund received $175.2 million and $201.9 million of residual taxes, respectively. The budgeted and estimated residual tax revenue for Fiscal Year 2018-19 is $210.7 million, while the 2019-20 Adopted Budget includes a projected $228.1 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.

2018-19 STATE BUDGET

On June 27, 2018, Governor Brown signed the Fiscal Year 2018-19 State Budget Act (the "2018-19 State Budget Act"), which projected a beginning fund balance surplus from Fiscal Year 2017-18 of $8.483 billion, total revenues and transfers of $133.332 billion, total expenditures of $138.688 billion, and a year-end surplus of $3.127 billion for Fiscal Year 2018-19. Of the projected year-end surplus, $1.165 billion was to be allocated to the Reserve for Liquidation of Encumbrances and $1.962 billion would be deposited to the Special Fund for Economic Uncertainties. The 2018-19 State Budget Act continued to provide for a deposit into the State's Budget Stabilization Account (Rainy Day Fund), which would bring the balance of the Rainy Day Fund to $13.768 billion, reaching the Constitutional funding target established under Proposition 2 in 2014 by June 2019.

The 2018-19 State Budget Act reflected an overall improvement in the State revenue forecast, resulting in an increase in total resources available of $6.672 billion over the Fiscal Year 2018-19 Proposed State Budget. The 2018-19 State Budget Act included an increase in total expenditures of $6.998 billion over the Fiscal Year 2018-19 Proposed State Budget, with funding for key State priorities related to counteracting the effects of poverty and combatting homelessness, mental health services, infrastructure and K-12 education. To prepare for a future economic downturn, the 2018-19 State Budget Act fully funded the Rainy Day Fund by June 2019 in accordance with Proposition 2 and used surplus revenues to provide one-time funding for initiatives such as homelessness, mental health, and infrastructure projects, and pay for increased costs for programs of County interest, such as Medi-Cal, child care, IHSS, and foster care reform.

2019-20 STATE BUDGET

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

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

Items of major interest to the County in the 2018-19 State Budget Act include the following:

<u>Homeless Funding.</u> The 2019-20 State Budget Act provides an additional $1 billion in statewide funding for homeless housing options and services, including $650 million in one-time grant funding to local governments for the Homeless Aid for Planning and Shelter Program. According to draft trailer bill language, of the $650 million, $275 million would be distributed to the State's 13 most populous cities, $275 million to counties, and $100 million to Continuums of Care. Funding can used for activities and programs that prevent homelessness, provide housing and related services, and move homeless individuals to permanent housing.

<u>Infill Infrastructure Grant Program.</u> The 2019-20 State Budget Act provides $500 million in funding for the Infill Infrastructure Grant Program administered by the California Department of Housing and Community Development. The Infill Infrastructure Grant Program provides gap funding for infrastructure that supports higher density affordable and mixed-income housing in locations designated as infill.

<u>Whole Person Care Pilot Program.</u> The 2019-20 State Budget Act provides $100 million in statewide funding for programs that coordinate health, mental health, substance use disorder, and social services, including supportive housing for individuals with mental illness, and provides an additional $20.0 million in one-time statewide funding from the Mental Health Services Fund for counties that do not currently operate a Whole Person Care Pilot. Los Angeles County does not currently operate a pilot program.

<u>Infectious Disease.</u> The 2019-20 State Budget Act provides $40.0 million in one-time statewide funding to slow infectious disease epidemics. $36.0 million would be provided for grants to local health departments in lump sum allotments in Fiscal Year 2019-20, which cannot supplant existing services at the local level. The funding allocation would be determined by the California Department of Public Heath, in consultation with the County Health Executives Association of California, the California Conference of Local Health Officers, community-based organizations, and other stakeholders.

<u>In-Home Supportive Services (IHSS) County Maintenance of Effort (MOE).</u> The 2019-20 State Budget Act provides $296.7 million in statewide funding for Fiscal Year 2019-20. The funding would grow to $615.3 million in Fiscal Year 2022-23. The funding will allow the State to adjust the County IHSS MOE to $1.56 billion and discontinue the redirection of 1991-92 Realignment Program revenue (vehicle license fees) from health and mental health to social services. The annual IHSS MOE inflation factor will be

reduced from 7 percent to 4 percent beginning in Fiscal Year 2020-21.

Mental Health Workforce Investment. The 2019-20 State Budget Act provides $60.0 million in one-time statewide funding for the California Office of Statewide Health Planning and Development's Workforce Education and Training program to establish a five-year plan to train mental health professionals. This funding would require a 33 percent local funds match. The 2019-20 State Budget Act also provides $43.6 million in one-time statewide funding for mental health workforce development, $1.0 million in one-time statewide funding for loan repayments for former foster youth services provided by mental health providers in public facilities or provider shortage areas, and $2.7 million in one-time statewide funding for psychiatry fellowships.

State Individual Mandate and Insurance Subsidies. The 2019-20 State Budget Act includes an individual mandate to require all eligible State residents to have health insurance or pay a financial penalty. The revenue generated from the penalty would be used to increase and expand subsidies for purchasing individual health insurance policies for those individuals earning up to 600 percent of the Federal poverty level. The 2019-20 State Budget Act also includes additional funding to increase insurance premium subsidies for individuals below 138 percent of the Federal poverty level and additional subsidies for those between 200 and 600 percent of the Federal poverty level.

Child Support Services. The 2019-20 State Budget Act provides an additional $56.0 million through an interim budgeting methodology for Fiscal Year 2019-20 to support local child support agencies. The California Department of Child Support Services will work with stakeholders to propose updates toward the implementation of an ongoing budgeting methodology by February 1, 2020.

Paid Family Leave. The 2019-20 State Budget Act extends from six to eight weeks the maximum duration of paid family leave benefits individuals may receive from the California State Disability Insurance program to care for a seriously ill child, spouse, parent, grandparent, grandchild, sibling, or domestic partner or to bond with a minor child within one year of the birth or placement of the child via foster care or adoption.

2020 Census Funding. The 2019-20 State Budget Act provides $30.0 million in statewide funding for additional activities, of which $2.0 million is for local educational agency-focused strategies for Census outreach, and the remaining $28.0 million for purposes including, but not limited to: language access, efforts by local governments and community-based organizations, costs related to Local Update of Census Addresses or costs for other State entities related to Census outreach activities.

Voting Systems Upgrade and Replacement. The 2019-20 State Budget Act provides $87.3 million in one-time statewide funding to support voting systems upgrade and replacement.

California Earned Income Tax Credit. The 2019-20 State Budget Act invests $1.0 billion to increase the number of participating households from 2.0 million to 3.0 million, increases the maximum eligible earned income to $30,000 so that those working up to full-time at the 2022 minimum wage of $15.00 per hour will be eligible for the credit, and provides a $1,000 credit for every family that otherwise qualifies for the credit and has at least one child under the age of six.

Wildfire-Related Property Tax Revenue Losses. The 2019-20 State Budget Act includes a total of $71.5 million in statewide funding for disaster-impacted counties, including $31.3 million to backfill counties for property tax losses for Fiscal Year 2019-20 and $15.0 million to provide additional relief to local agencies affected by the wildfires.

Challenger Facility. The 2019-20 State Budget Act provides one-time funding of $5.0 million to the County to help offset the renovation costs to convert the Challenger Memorial Youth Detention Center to a Residential Career Training Center.

Pre-Trial Services Pilot. The 2019-20 State Budget Act provides $75.0 million to Judicial Council to fund the implementation, operation, or evaluation of pretrial decision-making programs in at least ten courts. Local courts will contract with county probation departments to conduct pre-arraignment and pretrial risk assessments on individuals booked into county jails, and for monitoring of individuals released pretrial.

Los Angeles County Natural History Museum. The 2019-20 State Budget Act provides $9.0 million in one-time funding for the first phase of an expansion project and local assistance funding.

Voter's Choice Act Education and Outreach Expenses. The 2019-20 State Budget Act provides $3.8 million in statewide funding over two years to the California Secretary of State for outreach and education in counties using Vote Centers for the Presidential Primary Election in March of 2020 and the Presidential Election of November 2020. Each year, $1.5 million would be provided to counties each year as reimbursements and $400,000 would be provided to the California Secretary of State for developing outreach and education materials and administration.

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 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 nine consecutive years of steady growth in assessed valuation, with increases in the Net Local Roll of 1.36%, 2.20%, 4.66%, 5.47%, 6.13%, 5.58%, 6.04%, 6.62% and 6.25% in Fiscal Years 2011-12 through 2019-20, respectively.

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

[For the Fiscal Year 2018-19 tax roll, the Assessor estimates that approximately 10.4% of all single-family residential parcels, 10.8% of all residential income parcels and 13.7% 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.] Note: Need to update based on 2019-20 tax roll.

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 476,000 parcels to their Proposition 13 base year value, with 76,000 parcels still eligible for potential restorations in value.

FISCAL YEAR 2018-19 FINAL ADOPTED BUDGET

The Fiscal Year 2018-19 Final Adopted Budget (the "2018-19 Final Adopted Budget") was approved by the Board of Supervisors on October 2, 2018. The 2018-19 Final Adopted Budget appropriates $32.8 billion, which reflects a $1.194 billion or 3.8% increase in total funding requirements from the Fiscal Year 2017-18 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriated $25.699 billion, which represents a $1.375 billion or 5.7% increase from the Fiscal Year 2017-18 Final Adopted Budget. The 2018-19 Final Adopted Budget appropriates $7.1 billion for Special Funds/District, reflecting a $182 million or 2.5% decrease from the Fiscal Year 2017-18 Final Adopted Budget.

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

Fiscal Year 2018-19 NCC Budget Changes

Public Assistance Changes	$ (1,515,000)
Unavoidable Cost Increases	
Health Insurance Subsidy	49,024,000
Pension Costs	43,027,000
Employee Salaries	170,689,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Cost Changes	5,442,000
Program Changes	
Affordable Housing	15,000,000
Public Safety Programs	24,770,000
Debt Service	9,065,000
Other Changes	(6,023,000)
All Other Program Changes	21,315,000
Fiscal Policies	
Appropriation for Contingency	8,313,000
Deferred Maintenance	5,000,000
Total Net County Cost Increases	**369,107,000**
Revenue Changes	
Property Taxes	323,719,000
Property Taxes - CRA Dissolution Residual	24,715,000
Public Safety Sales Tax	6,684,000
Various Revenue Changes	13,989,000
Total Locally Generated Revenues	**369,107,000**
Total Projected Budget Gap	**$ -**

Public Assistance Changes

The decrease in funding for Public Assistance in the 2018-19 Final Adopted Budget is primarily related to a projected $2.3 million decrease in General Relief expenditures, as well as a $2.4 million net 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 approved salaries and employee benefit increases, and expected salary and benefit increases that are subject to negotiations with the County's collective bargaining units, which are expected to take effect in Fiscal Year 2018-19.

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Prefund Retiree Healthcare Benefits – The 2018-19 Final Adopted Budget appropriates $182.9 million in pre-funding contributions to the OPEB Trust Fund. This appropriation is comprised of $75 million in NCC and $107.9 million in projected subvention revenue to be 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 Final Adopted Budget includes $64.1 million of adjustments to various County programs, including increases for public safety and social 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 2018-19 balance of the Rainy Day Fund is $562.9 million, which is approximately 8.3% 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 Appropriations for Contingencies as a hedge against unforeseen budget issues that may occur during any fiscal year. As part of the 2018-19 Final Adopted Budget, $38.1 million was set aside in Appropriations for Contingencies, which reflects 10% of new ongoing 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 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 6.62% increase in the Net Local Roll, the 2018-19 Final Adopted Budget includes a $323.7 million increase in property tax revenues. The 2018-19 Final Adopted 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 assumed a 2.0% growth factor in its overall statewide sales tax projection for the 2018-19 Final Adopted 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.

FISCAL YEAR 2019-20 ADOPTED BUDGET

The Fiscal Year 2019-20 Adopted Budget (the "2019-20 Adopted Budget") was approved by the Board of Supervisors on June 24, 2019. The 2019-20 Adopted Budget appropriates $33.1 billion, which reflects a $290 million or 0.9% increase in total funding requirements from the 2018-19 Final Adopted Budget. The General County Budget (General Fund and Hospital Enterprise Fund) appropriates $26.096 billion, which represents a $397 million or 1.6% increase from the 2018-19 Final Adopted Budget. The 2019-20 Adopted Budget appropriates $6.993 billion for Special Funds/District, reflecting a $107 million or 1.5% decrease from the Fiscal Year 2018-19 Final Adopted Budget.

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

Fiscal Year 2019-20 NCC Budget Changes

Public Assistance Changes	$8,053,000
Unavoidable Cost Increases	
Health Insurance Subsidy	33,611,000
Pension Costs	63,094,000
Employee Salaries	130,182,000
Prefund Retiree Healthcare Benefits	25,000,000
Various Cost Changes	5,317,000
Program Changes	
Affordable Housing & Economic Development	15,200,000
Body-Worn Cameras	17,995,000
Correctional Health	10,000,000
Public Safety Programs	9,821,000
Debt Service	(2,982,000)
All Other Program Changes	24,714,000
Fiscal Policies	
Appropriation for Contingency	(5,159,000)
Deferred Maintenance	5,000,000
Total Net County Cost Increases	**339,846,000**
Revenue Changes	
Property Taxes	298,462,000
Property Taxes - CRA Dissolution Residual	17,387,000
Public Safety Sales Tax	28,563,000
Various Revenue Changes	(4,566,000)
Total Locally Generated Revenue	**339,846,000**
Total Projected Budget Gap	$ -

Public Assistance Change

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

Unavoidable Cost Increases

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

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

Program Changes

The 2019-20 Adopted Budget includes $74.7 million of adjustments to various programs in the 2018-19 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 $601.9 million, which is approximately 8.9% of ongoing discretionary revenues. The 2019-20 Adopted Budget includes a multi-year plan to fully fund the Rainy Day Fund by Fiscal Year 2021-22, which would require supplemental funding of approximately $74.0 million over the next two fiscal years. As part of the 2019-20 Adopted Budget $32.9 million was set aside in Appropriations for Contingencies, which reflects 10% of new ongoing discretionary revenues. The 2019-20 Adopted 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 2019-20. The County is forecasting increases in a variety of locally generated revenues along with increases in statewide sales tax revenues. Based on the initial projected growth rate of the Assessment Roll in Fiscal Year 2019-20 of 5.8%, the 2019-20 Adopted Budget includes a $298.5 million increase in property tax revenues. The 2019-20 Adopted Budget also includes a $17.4 million increase in the property tax residual from the dissolution of redevelopment agencies.

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

HEALTH SERVICES BUDGET (To Be Updated)

The Department of Health Services ("DHS") provides vital inpatient acute care through four hospitals: LAC+USC Medical Center, Harbor-UCLA Medical Center, Olive View-UCLA Medical Center and Rancho Los Amigos National Rehabilitation Center. Two of the hospitals, LAC+USC Medical Center and Harbor-UCLA Medical Center, operate trauma centers and emergency rooms; Olive View-UCLA Medical Center provides emergency room services; and Rancho Los Amigos National Rehabilitation Center operates as an acute rehabilitation facility. Outpatient services are provided at all four hospitals as well as multiple other facilities, including one outpatient center, one regional health center, six comprehensive health centers, sixteen community health centers, and over 100 contracted Community Partner clinics located throughout the County. DHS also manages the emergency medical services system for the entire County. In collaboration with the University of Southern California and the University of California at Los Angeles, the County provides training for approximately 1,700 physician residents on an annual basis.

As a safety net provider, the County is the medical provider of last resort for indigent County residents. Historically, the cost of providing health services exceeds the combined total of DHS revenues, which requires annual subsidies from the County General Fund. DHS has been able to limit these subsidies by developing new revenue sources, implementing operational efficiencies, and using one-time reserve funds.

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

Section 1115 Hospital Financing Waiver

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

- Public Hospital Redesign and Incentives in Medi-Cal ("PRIME") is a pay-for-performance delivery system transformation and alignment program.

- Global Payment Program ("GPP") is a payment reform program for services provided to uninsured patients in California's Public Health Care system.

- Whole Person Care ("WPC") is a series of pilot programs designed to provide more integrated care to the highest-risk and most vulnerable patients. The pilot programs are chosen based on a competitive application process. DHS has been awarded Federal funds for these programs, and to date, has collected a total of $246.6 million for calendar years 2016 through 2018.

The 2015 Waiver expires on December 31, 2020. DHS has been working with the California Department of Health Care Services ("DHCS") to develop the framework for a renewed Section 1115 Waiver, and possibly other types of waivers, to maximize future revenues. DHCS is currently developing a proposal to continue the GPP under a renewed Section 1115 Waiver. There is also a proposal to move the PRIME and WPC programs from the Section 1115 Waiver into Medi-Cal managed care.

Assembly Bill 85

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

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

The final redirection amount for Fiscal Years 2013-14, 2014-15 and 2015-16 was $0, $365.5 million, and $314.3 million, respectively. The current projected redirection amounts for Fiscal Years 2016-17, 2017-18, and 2018-19 are $246.3 million, $187.1 million, and $0, respectively. The County will continue to work with the State to evaluate and update the redirection numbers and close out each fiscal year by the scheduled due dates.

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

General Fund Contributions

The Fiscal Year 2019-20 NCC contribution to DHS is $1.003 billion, as shown in the chart below. The NCC contribution to DHS is comprised of multiple components, including the AB 85 MOE, other General Fund resources for specific programs, VLF Realignment Revenue, and Tobacco Settlement Revenue. The additional funding from the County General Fund for DHS programs related to correctional health services and other programs represents a strategic initiative by the Board of Supervisors to transfer specific services previously provided by other County departments to DHS, and is not related to cost increases as the result of budgetary pressures from DHS' operations.

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

	Amount
County General Fund - AB 85 MOE	$ 346.3
County General Fund - Correctional Health (A)	322.1
County General Fund - Specific Programs (B)	20.7
Vehicle License Fees Realignment	281.8
Tobacco Settlement Revenue	55.0
Transfers to Other Budget Units (C)	(23.1)
Total	$ 1,002.8

(A) Reflects the transfer of Correctional Health Services from the Sheriff and the Department of Mental Health to DHS, w hich w as finalized in May 2017.
(B) Includes funding for Board initiatives, such as homeless services and health care for Probation youth.
(C) Includes the transfer for the In-Home Supportive Services Provider Health Care Plan.

General Fund Advances and Cash Flow

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

The Federal and State governments are the primary sources of revenue for the Hospital Funds. As of April 30, 2019, the balance of General Fund cash advances to the Hospital Funds was $758.8 million. The County is currently projecting the June 30, 2019 balance of General Fund cash advances to the Hospital Funds to be $456.3 million, which would be an increase of $346.7 million from the June 30, 2018 balance of $109.6 million.

The increase in cash advances to the Hospital Funds is largely caused by a two-year delay in receiving CMS approval of methodologies related to two new funding programs. The prior revenue programs were on a one-year delay cycle and those programs expired on June 30, 2017. The new programs, the Quality Incentive Program ("QIP") and the Enhanced Payment Program ("EPP"), were approved by CMS for Fiscal Year 2017-18. The estimated values of QIP and EPP for Fiscal Year 2017-18 are $69.6 million and $391.6 million, respectively. However, because CMS has not yet approved the methodologies by which the counties can access these funds, there will be a two-year delay from the July 1, 2017 start date of the programs before the funds are received. DHS does not expect to receive the Fiscal Year 2017-18 funding for QIP and EPP until Fiscal Year 2019-20.

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 2016-17, with an estimated value of $54.2 million. The audit for Fiscal Year 2017-18 is pending at this time. As of April 24, 2019, the total estimated receivable balance for both years is $63.0 million. The County has recognized an equivalent reserve against the fund balance associated with the CBRC receivable since it is not currently available to fund the County's budgetary requirements. The CBRC receivable balance for Fiscal Year 2018-19 will be determined during the fiscal year-end closing process.

DHS Reserve Funds

In Fiscal Year 2017-18, DHS closed the year with a Fund Balance of $911.8 million, and is expected to close Fiscal Year 2018-19 with a Fund Balance of approximately $1.108 billion million. The Fund Balance is available to fund DHS operations in the future, as needed.

Managed Care

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

Although DHS estimates the value of EPP at approximately $391.6 million for Fiscal Year 2017-18, the methodology for drawing down the EPP funds is still pending CMS approval. CMS has also approved four years of QIP with an annual COLA, and a State option to revisit the program in two years. The amount of QIP funding is estimated at approximately $69.6 million for Fiscal Year 2017-18. However, the methodology for how the funds will be allocated among the State's public hospitals has not been approved by CMS. Because approval by CMS is pending, the estimated revenues for these two programs could change materially.

The State submitted another proposal to CMS for 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. The estimated annual net revenue for GME and IME payments is $70.0 million. The effective date of the proposal would be January 2017, pending 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 2018-19, the County received $74.637 million in TSRs from the participating manufacturers. The distribution of TSRs to the County are net of the 25.9% of TSRs pledged for the repayment of the Tobacco Bonds, which have been deposited with a trustee for the payment of debt service on the Tobacco Bonds.

BUDGET TABLES

The 2019-20 Adopted Budget is supported by $6.024 billion in property tax revenue, $4.984 billion in Federal funding, $6.787 billion in State funding, $244 million in cancelled obligated fund balance, $1.654 billion in Fund Balance and $6.403 billion from other funding sources. The tables on the following pages provide historical detail on General County budget appropriations, along with a summary and comparison of the 2019-20 Adopted Budget with the 2018-19 Final Adopted Budget.

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

Fund	Final 2015-16	Final 2016-17	Final 2017-18	Final 2018-19	Recommended 2019-20	Adopted 2019-20
General Fund	$ 18,532,749	$ 19,589,641	$ 20,856,959	$ 22,476,283	$ 22,369,407	$ 22,819,206
Hospital Enterprise Fund	3,195,948	3,401,444	3,466,796	3,222,338	3,274,262	3,276,462
Total General County Budget	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 25,643,669**	**$ 26,095,668**

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

	Final 2015-16	Final 2016-17	Final 2017-18	Final 2018-19	Recommended 2019-20	Adopted 2019-20
Requirements						
Social Services	$ 6,446,374	$ 6,859,438	$ 7,200,237	$ 7,308,903	$ 7,537,724	$ 7,557,188
Health	6,590,413	7,135,235	8,040,428	8,790,802	8,806,366	8,871,869
Justice	5,674,407	5,973,130	5,823,573	6,019,196	6,206,071	6,219,612
Other	3,017,503	3,023,282	3,259,517	3,579,720	3,093,508	3,446,999
Total	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 25,643,669**	**$ 26,095,668**
Revenue Sources						
Property Taxes	$ 4,765,596	$ 5,031,658	$ 5,331,727	$ 5,676,729	$ 6,009,794	$ 6,023,997
State Assistance	5,542,998	5,965,914	6,290,778	6,545,048	6,635,737	6,787,150
Federal Assistance	4,236,481	4,499,196	4,931,647	4,977,992	4,966,756	4,983,683
Other	7,183,622	7,494,317	7,769,603	8,498,852	8,031,382	8,300,838
Total	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 25,643,669**	**$ 26,095,668**

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

	Final 2015-16	Final 2016-17	Final 2017-18	Final 2018-19	Recommended 2019-20	Adopted 2019-20
Financing Requirements						
Salaries & Employee Benefits	$ 10,988,705	$ 11,537,805	$ 12,254,330	$ 12,983,488	$ 13,579,379	$ 13,695,445
Services & Supplies	7,696,979	8,148,441	8,511,618	9,346,135	8,923,796	9,080,996
Other Charges	3,878,926	4,252,725	4,483,734	4,746,295	4,845,892	4,896,689
Capital Assets	864,488	868,341	951,628	1,160,603	1,007,455	1,207,015
Other Financing Uses	595,100	509,535	723,265	734,824	866,745	895,114
Appropriations for Contingencies	15,919	27,375	29,754	38,067	32,488	32,908
Interbudget Transfers[1]	(1,411,193)	(1,370,514)	(1,678,129)	(1,918,739)	(2,090,173)	(2,165,772)
Gross Appropriation	$ 22,628,924	$ 23,973,708	$ 25,276,200	$ 27,090,673	$ 27,165,582	$ 27,642,395
Less: Intrafund Transfers	1,008,980	1,063,876	1,259,379	1,588,349	1,607,498	1,631,480
Net Appropriation	$ 21,619,944	$ 22,909,832	$ 24,016,821	$ 25,502,324	$ 25,558,084	$ 26,010,915
Provision for Obligated Fund Balance						
General Reserve	$ -	$ -	$ -	$ -	$ -	
Other	-	-	16,093	-	-	
Assigned for Rainy Day Funds	31,414	27,882	39,000	46,810	-	39,000
Committed Fund Balance	77,339	53,371	251,841	149,487	85,585	45,753
Total Financing Requirements	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 25,643,669**	**$ 26,095,668**
Available Financing						
Fund Balance	$ 1,750,126	$ 1,824,822	$ 1,982,626	$ 1,929,332	$ 1,465,870	$ 1,653,855
Cancel Provision for Obligated Fund Balance	282,930	216,915	348,499	279,525	187,495	244,292
Property Taxes: Regular Roll	4,705,966	4,971,696	5,271,414	5,615,854	5,953,618	5,967,817
Supplemental Roll	59,630	59,962	60,313	60,875	56,176	56,180
Revenue	14,930,045	15,917,690	16,660,903	17,813,035	17,980,510	18,173,524
Total Available Financing	**$ 21,728,697**	**$ 22,991,085**	**$ 24,323,755**	**$ 25,698,621**	**$ 25,643,669**	**$ 26,095,668**

[1] This amount includes certain non-program expenditures and revenues that are included in the budget for accounting purposes. Failure to exclude such amounts, totaling $2.2 billion in 2019-20, from the above table would give the impression that there are more resources than are actually

Source: Chief Executive Office

COUNTY OF LOS ANGELES
GENERAL COUNTY BUDGET
COMPARISON OF 2018-19 FINAL ADOPTED BUDGET TO 2019-20 ADOPTED BUDGET
Net Appropriation: By Function
(In thousands)

Function	2018-19 Final (1)	2019-20 Adopted (2)	Difference	Percentage Difference
REQUIREMENTS				
General				
General Government	$ 1,411,291.0	$ 1,349,801.0	$ (61,490.0)	-4.36%
General Services	814,497.0	776,095.0	(38,402.0)	-4.71%
Public Buildings	984,683.0	1,003,994.0	19,311.0	1.96%
Total General	$ 3,210,471.0	$ 3,129,890.0	$ (80,581.0)	-2.51%
Public Protection				
Justice	$ 5,686,577.0	$ 5,915,122.0	$ 228,545.0	4.02%
Other Public Protection	227,218.0	204,850.0	(22,368.0)	-9.84%
Total Public Protection	$ 5,913,795.0	$ 6,119,972.0	$ 206,177.0	3.49%
Health and Sanitation	8,752,217.0	8,833,058.0	80,841.0	0.92%
Public Assistance	7,110,952.0	7,401,548.0	290,596.0	4.09%
Recreation and Cultural Services	409,462.0	383,165.0	(26,297.0)	-6.42%
Education	-	43,014.0	43,014.0	0.00%
Insurance and Loss Reserve	67,360.0	67,360.0	-	0.00%
Provision for Obligated Fund Balance	196,297.0	84,753.0	(111,544.0)	-56.82%
Appropriations for Contingencies	38,067.0	32,908.0	(5,159.0)	-13.55%
Total Requirements	**$ 25,698,621.0**	**$ 26,095,668.0**	**$ 397,047.0**	**1.55%**
AVAILABLE FUNDS				
Property Taxes	$ 5,676,729.0	$ 6,023,997.0	$ 347,268.0	6.12%
Fund Balance	1,929,332.0	1,653,855.0	(275,477.0)	-14.28%
Cancelled Prior-Year Reserves	279,525.0	244,292.0	(35,233.0)	-12.60%
Intergovernmental Revenues				
State Revenues				
In-Lieu Taxes	$ 401,421.0	$ 415,927.0	$ 14,506.0	3.61%
Homeowners' Exemption	19,000.0	19,000.0	-	0.00%
Public Assistance Subventions	886,143.0	917,451.0	31,308.0	3.53%
Other Public Assistance	2,290,257.0	2,427,754.0	137,497.0	6.00%
Public Protection	1,401,277.0	1,410,143.0	8,866.0	0.63%
Health and Mental Health	1,353,195.0	1,329,171.0	(24,024.0)	-1.78%
Capital Projects	150,604.0	149,092.0	(1,512.0)	-1.00%
Other State Revenues	43,151.0	118,612.0	75,461.0	174.88%
Total State Revenues	$ 6,545,048.0	$ 6,787,150.0	$ 242,102.0	3.70%
Federal Revenues				
Public Assistance Subventions	$ 2,770,476.0	$ 2,852,996.0	$ 82,520.0	2.98%
Other Public Assistance	197,157.0	201,991.0	4,834.0	2.45%
Public Protection	102,845.0	72,155.0	(30,690.0)	-29.84%
Health and Mental Health	1,896,761.0	1,810,418.0	(86,343.0)	-4.55%
Capital Projects	105.0	-	(105.0)	-100.00%
Other Federal Revenues	10,648.0	46,123.0	35,475.0	333.16%
Total Federal Revenues	$ 4,977,992.0	$ 4,983,683.0	$ 5,691.0	0.11%
Other Governmental Agencies	47,066.0	31,605.0	(15,461.0)	-32.85%
Total Intergovenmental Revenues	$ 11,570,106.0	$ 11,802,438.0	$ 232,332.0	2.01%
Fines, Forfeitures and Penalties	172,719.0	172,950.0	231.0	0.13%
Licenses, Permits and Franchises	59,771.0	59,862.0	91.0	0.15%
Charges for Services	4,523,599.0	4,510,577.0	(13,022.0)	-0.29%
Other Taxes	229,675.0	224,521.0	(5,154.0)	-2.24%
Use of Money and Property	232,907.0	226,962.0	(5,945.0)	-2.55%
Miscellaneous Revenues	464,961.0	489,386.0	24,425.0	5.25%
Operating Contribution from General Fund	559,297.0	686,828.0	127,531.0	22.80%
Total Available Funds	**$ 25,698,621.0**	**$ 26,095,668.0**	**$ 397,047.0**	**1.55%**

(1) Reflects the 2018-19 Final Adopted General County Budget approved by the Board of Supervisors on October 2, 2018
(2) Reflects the 2019-20 Adopted General County Budget approved by the Board of Supervisors on June 24, 2019

COUNTY OF LOS ANGELES
FINAL ADOPTED 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	$ 1,411,291.0	$ -	$ 1,411,291.0
General Services	814,497.0	-	814,497.0
Public Buildings	984,683.0	-	984,683.0
Total General	$ 3,210,471.0	$ -	$ 3,210,471.0
Public Protection			
Justice	$ 5,686,577.0	$ -	$ 5,686,577.0
Other Public Protection	227,218.0	-	227,218.0
Total Public Protection	$ 5,913,795.0	$ -	$ 5,913,795.0
Health and Sanitation	$ 5,529,879.0	$ 3,222,338.0	$ 8,752,217.0
Public Assistance	7,110,952.0	-	7,110,952.0
Recreation and Cultural Services	409,462.0	-	409,462.0
Education	-	-	-
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	196,297.0	-	196,297.0
Appropriation for Contingency	38,067.0	-	38,067.0
Total Requirements	**$ 22,476,283.0**	**$ 3,222,338.0**	**$ 25,698,621.0**
AVAILABLE FUNDS			
Property Taxes	$ 5,676,729.0	$ -	$ 5,676,729.0
Fund Balance	1,929,332.0	-	1,929,332.0
Cancel Provision for Obligated Fund Balance	222,629.0	56,896.0	279,525.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 401,421.0	$ -	$ 401,421.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	886,143.0	-	886,143.0
Other Public Assistance	2,290,257.0	-	2,290,257.0
Public Protection	1,401,277.0	-	1,401,277.0
Health and Mental Health	1,299,237.0	53,958.0	1,353,195.0
Capital Projects	150,604.0	-	150,604.0
Other State Revenues	43,151.0	-	43,151.0
Total State Revenues	6,491,090.0	53,958.0	6,545,048.0
Federal Revenues			
Public Assistance Subventions	$ 2,766,788.0	$ 3,688.0	$ 2,770,476.0
Other Public Assistance	197,157.0	-	197,157.0
Public Protection	102,845.0	-	102,845.0
Health and Mental Health	1,572,484.0	324,277.0	1,896,761.0
Capital Projects	105.0	-	105.0
Other Federal Revenues	10,648.0	-	10,648.0
Total Federal Revenues	$ 4,650,027.0	$ 327,965.0	$ 4,977,992.0
Other Governmental Agencies	47,066.0	-	47,066.0
Total Intergovenmental Revenues	$ 11,188,183.0	$ 381,923.0	$ 11,570,106.0
Fines, Forfeitures and Penalties	172,719.0	-	172,719.0
Licenses, Permits and Franchises	59,645.0	126.0	59,771.0
Charges for Services	2,586,492.0	1,937,107.0	4,523,599.0
Other Taxes	229,675.0	-	229,675.0
Use of Money and Property	232,793.0	114.0	232,907.0
Miscellaneous Revenues	178,086.0	286,875.0	464,961.0
Operating Contribution from General Fund	-	559,297.0	559,297.0
Total Available Funds	**$ 22,476,283.0**	**$ 3,222,338.0**	**$ 25,698,621.0**

(1) Reflects the 2018-19 Final Adopted General County Budget approved by the Board of Supervisors on October 2, 2018

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

Function	General Fund	Hospital Enterprise Fund	Total General County
REQUIREMENTS			
General			
General Government	$ 1,349,801.0	$ -	$ 1,349,801.0
General Services	776,095.0	-	776,095.0
Public Buildings	1,003,994.0	-	1,003,994.0
Total General	$ 3,129,890.0	$ -	$ 3,129,890.0
Public Protection			
Justice	$ 5,915,122.0	$ -	$ 5,915,122.0
Other Public Protection	204,850.0	-	204,850.0
Total Public Protection	$ 6,119,972.0	$ -	$ 6,119,972.0
Health and Sanitation	$ 5,556,596.0	$ 3,276,462.0	$ 8,833,058.0
Public Assistance	7,401,548.0	-	7,401,548.0
Recreation and Cultural Services	383,165.0	-	383,165.0
Education	43,014.0	-	43,014.0
Insurance and Loss Reserve	67,360.0	-	67,360.0
Provision for Obligated Fund Balance	84,753.0	-	84,753.0
Appropriation for Contingency	32,908.0	-	32,908.0
Total Requirements	**$ 22,819,206.0**	**$ 3,276,462.0**	**$ 26,095,668.0**
AVAILABLE FUNDS			
Property Taxes	$ 6,023,997.0	$ -	$ 6,023,997.0
Fund Balance	1,653,855.0	-	1,653,855.0
Cancel Provision for Obligated Fund Balance	138,706.0	105,586.0	244,292.0
Intergovernmental Revenues			
State Revenues			
In-Lieu Taxes	$ 415,927.0	$ -	$ 415,927.0
Homeowners' Exemption	19,000.0	-	19,000.0
Public Assistance Subventions	917,451.0	-	917,451.0
Other Public Assistance	2,427,754.0	-	2,427,754.0
Public Protection	1,410,143.0	-	1,410,143.0
Health and Mental Health	1,281,902.0	47,269.0	1,329,171.0
Capital Projects	149,092.0	-	149,092.0
Other State Revenues	118,612.0	-	118,612.0
Total State Revenues	6,739,881.0	47,269.0	6,787,150.0
Federal Revenues			
Public Assistance Subventions	$ 2,852,996.0	$ -	$ 2,852,996.0
Other Public Assistance	201,991.0	-	201,991.0
Public Protection	72,155.0	-	72,155.0
Health and Mental Health	1,535,288.0	275,130.0	1,810,418.0
Capital Projects	-	-	-
Other Federal Revenues	46,123.0	-	46,123.0
Total Federal Revenues	$ 4,708,553.0	$ 275,130.0	$ 4,983,683.0
Other Governmental Agencies	31,605.0	-	31,605.0
Total Intergovenmental Revenues	$ 11,480,039.0	$ 322,399.0	$ 11,802,438.0
Fines, Forfeitures and Penalties	172,950.0	-	172,950.0
Licenses, Permits and Franchises	59,736.0	126.0	59,862.0
Charges for Services	2,685,314.0	1,825,263.0	4,510,577.0
Other Taxes	224,521.0	-	224,521.0
Use of Money and Property	226,507.0	455.0	226,962.0
Miscellaneous Revenues	153,581.0	335,805.0	489,386.0
Operating Contribution from General Fund	-	686,828.0	686,828.0
Total Available Funds	**$ 22,819,206.0**	**$ 3,276,462.0**	**$ 26,095,668.0**

(1) Reflects the 2019-20 Adopted General County Budget approved by the Board of Supervisors on June 24, 2019

FINANCIAL SUMMARY

PROPERTY TAX RATE, VALUATION AND LEVY

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

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

PAYMENT DATES AND LIENS

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

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

LARGEST TAXPAYERS

The twenty largest taxpayers in the County included on the Fiscal Year 2018-19 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 $43,732,764,353 which constitutes only 3.00% of the total full cash value for the entire County.

Taxpayer	Total Tax Levy 2018-19
Southern California Edison Co	$ 107,915,011
Douglas Emmett Residential	46,922,323
Maguire Properties	45,459,883
Southern California Gas Company	32,903,821
Universal Studios LLC	31,830,653
Chevron USA Inc / TEXACO / UNOCAL	27,527,916
TESORO Refining and Marketing Co	27,476,942
Tishman Speyer / Archstone Smith / ASN	26,879,213
Prologis / AMB	23,700,008
AT&T Communications	22,001,125
Kaiser Foundation	18,752,956
ESSEX Portfolio LP	17,869,061
Phillips 66	17,213,857
Torrance Refining Company LLC	13,564,415
Cedars Sinai Medical Center	12,469,724
Beacon Oil Co / Ultramar / Valero Energy Corporation	12,128,579
Macerich / Westside Pavilion	11,926,522
FSP South Flower Street	11,550,798
Westfield Topanga Owners LP	11,405,298
CBS Inc / Paramount Pictures Corp	10,957,434
	$ 530,455,539

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 2014-15 through 2018-19.

COUNTY OF LOS ANGELES
COMPARISON OF FULL CASH VALUE
PROPERTY TAXATION AND COLLECTIONS
FISCAL YEARS 2014-15 THROUGH 2018-19

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 %
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	3,097,916,528	98.50%
2017-18	1,366,276,412,160	3,315,398,792	3,277,406,885	98.85%
2018-19	1,456,853,755,643	3,526,015,778	3,485,610,363 (3)	98.85% (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 2017-18 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 2014-15 through 2018-19.

COMMUNITY REDEVELOPMENT AGENCY (CRA)
PROJECTS IN THE COUNTY OF LOS ANGELES
FULL CASH VALUE AND TAX ALLOCATIONS
FISCAL YEARS 2014-15 THROUGH 2018-19

Fiscal Year	Full Cash Value Increments (1)	Total Tax Allocations (2)
2014-15	$ 159,180,996,812	$ 1,327,392,835
2015-16	171,855,943,160	1,519,643,764
2016-17	184,568,536,419	1,539,743,198
2017-18	197,952,598,205	1,716,496,079
2018-19	214,839,204,602	1,818,918,890 (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 2018 through June 2019.

CASH MANAGEMENT PROGRAM

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

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

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

2019-20 Tax and Revenue Anticipation Notes

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

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

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

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

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

The County has always maintained full compliance with its deposit obligations with respect to its TRANs program. The following table illustrates the Unrestricted General Fund Receipts collected on a cash flow basis from Fiscal Year 2014-15 to Fiscal Year 2018-19.

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

	2014-15	2015-16	2016-17	2017-18	2018-19 Estimate
Property Taxes	$ 4,581,797	$ 4,806,915	$ 5,077,037	$ 5,391,435	$ 5,830,338
Other Taxes	204,173	215,228	225,297	224,051	223,869
Licenses, Permits and Franchises	58,488	58,908	60,487	62,683	63,698
Fines, Forfeitures and Penalties	197,663	182,298	178,105	178,502	172,034
Investment and Rental Income	131,053	165,037	178,804	232,312	260,237
State In-Lieu Taxes	407,316	356,888	303,768	205,293	160,594
State Homeowner Exemptions	20,277	19,892	19,673	19,312	19,244
Charges for Current Services	1,577,165	1,597,095	1,792,303	1,801,784	1,900,898
Other Revenue*	622,329	685,637	746,748	620,557	893,321
TOTAL UNRESTRICTED RECEIPTS	$ 7,800,261	$ 8,087,898	$ 8,582,222	$ 8,735,929	$ 9,524,232

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 2017-18 and Fiscal Year 2018-19.

General Fund Cash Flow Statements

The Fiscal Year 2017-18 and Fiscal Year 2018-19 General Fund Cash Flow Statements are provided at the end of this Financial Summary Section. In Fiscal Year 2017-18, the County had an ending General Fund cash balance of $2.359 billion. In Fiscal Year 2018-19, the County is estimating an ending cash balance in the General Fund of $1.291 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 May 31, 2019, 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	$	14.278
Schools and Community Colleges		15.806
Independent Public Agencies		2.693
Total	$	32.777

Of these entities, the discretionary participants accounted for 8.22% 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 19, 2019, 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 June 30, 2019, the book value of the Treasury Pool as of May 31, 2019 was approximately $32.777 billion and the corresponding market value was approximately $32.713 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 May 31, 2019:

Type of Investment	% of Pool
Certificates of Deposit	6.19
U.S. Government and Agency Obligations	64.56
Bankers Acceptances	0.00
Commercial Paper	28.77
Municipal Obligations	0.17
Corporate Notes & Deposit Notes	0.31
Repurchase Agreements	0.00
Asset Backed Instruments	0.00
Other	0.00
	100.00

The Treasury Pool is highly liquid. As of May 31, 2019, approximately 40.99% of the investments mature within 60 days, with an average of 521 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, 2018, 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 2018-19 Final Adopted Budget included an available General Fund balance of $1,929,332,000 as of June 30, 2018.

The 2018-19 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 2017-18 CAFR, under the caption, "Tobacco Settlement Asset-Backed Bonds."

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

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

- The County determined that certain assets were held by LACERA (as the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis of accounting, the expenditures are adjusted to recognize the OPEB Agency assets as of June 30, 2018.

The tables below provide a reconciliation of the General Fund's June 30, 2018 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 2013-14 to Fiscal Year 2017-18.

COUNTY OF LOS ANGELES
GENERAL FUND
RECONCILIATION OF FUND BALANCE FROM BUDGETARY TO GAAP BASIS
JUNE 30, 2018 (in thousands of $)

Unassigned Fund Balance - Budgetary Basis	$1,929,332
Adjustments:	
Accrual of budgetary liabilities for litigation and self-insurance claims not required by GAAP	173,934
Change in receivables for health insurers rebates held in LACERA OPEB Agency Fund	179,838
Accrual of liabilities for accrued compensated absences not required by GAAP	81,756
Change in revenue accruals	39,106
Deferral of property tax receivables	(79,516)
Deferral of sale of tobacco settlement revenue	(222,747)
Change in fair value of Investments	(83,890)
Reserve for "Rainy Day" Fund	478,063
Unassigned Fund Balance - GAAP Basis	$2,495,876

Source: Los Angeles County Auditor-Controller

COUNTY OF LOS ANGELES

BALANCE SHEET AT JUNE 30, 2014, 2015, 2016, 2017 and 2018
GENERAL FUND-GAAP BASIS (in thousands of $)

	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
ASSETS					
Pooled Cash and Investments	$1,933,794	$2,678,685	$3,181,151	$4,149,612	$4,386,386
Other Investments	4,810	4,655	4,693	4,483	4,241
Taxes Receivable	169,141	157,215	148,485	159,429	173,423
Other Receivables	1,996,683	1,888,537	1,875,029	1,930,937	1,969,867
Due from Other Funds	283,255	460,987	322,883	308,556	665,194
Advances to Other Funds	885,314	434,849	395,511	167,179	124,840
Inventories	56,790	48,186	59,267	48,824	52,964
Total Assets	$5,329,787	$5,673,114	$5,987,019	$6,769,020	$7,376,915
LIABILITIES					
Accounts Payable	$516,410	$410,671	$545,739	$600,827	$540,193
Accrued Payroll	331,045	356,579	374,951	392,096	422,519
Other Payables	111,019	115,998	100,964	102,289	111,361
Due to Other Funds	158,626	271,800	146,886	126,140	208,100
Advances Payable	575,567	853,441	975,135	1,433,485	1,732,965
Third-Party Payor Liability	26,207	39,693	39,042	42,051	39,690
Total Liabilities	$1,718,874	$2,048,182	$2,182,717	$2,696,888	$3,054,828
DEFERRED INFLOWS OF RESOURCES*	$508,105	$435,109	$420,060	$421,159	$426,896
FUND BALANCES					
Nonspendable	$272,007	$272,384	$324,555	$212,281	$136,890
Restricted	40,577	55,694	67,880	70,157	77,406
Committed	482,740	334,346	364,679	429,440	704,954
Assigned	538,078	491,954	446,579	494,783	480,065
Unassigned	1,769,406	2,035,445	2,180,549	2,444,312	2,495,876
Total Fund Balances	3,102,808	3,189,823	3,384,242	3,650,973	3,895,191
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$5,329,787	$5,673,114	$5,987,019	$6,769,020	$7,376,915

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2014, 2015, 2016, 2017 and 2018.

COUNTY OF LOS ANGELES

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND-GAAP BASIS FISCAL YEARS 2013-14 THROUGH 2017-18 (in thousands of $)

	2013-14	2014-15	2015-16	2016-17	2017-18
REVENUES:					
Taxes	$4,520,755	$4,772,762	$5,003,124	$5,333,532	$5,655,160
Licenses, Permits & Franchises	59,886	61,561	60,666	59,197	61,198
Fines, Forfeitures and Penalties	207,094	207,684	189,312	183,400	175,827
Use of Money and Property	128,501	141,816	186,443	155,878	189,399
Aid from Other Government	8,395,672	8,574,288	8,939,412	9,377,215	9,730,931
Charges for Services	1,743,447	1,491,656	1,651,883	1,800,657	1,751,140
Miscellaneous Revenues	152,663	204,966	159,346	172,055	162,610
TOTAL	$15,208,018	$15,454,733	$16,190,186	$17,081,934	$17,726,265
EXPENDITURES					
General	$998,438	$1,155,070	$1,039,188	$1,159,100	$1,253,758
Public Protection	4,843,148	5,136,461	5,418,926	5,546,279	5,618,266
Health and Sanitation	3,204,177	2,931,257	3,161,202	3,460,315	3,996,450
Public Assistance	5,430,398	5,682,198	5,892,530	6,034,942	6,260,375
Recreation and Cultural Services	282,660	304,895	321,414	341,272	364,316
Debt Service	28,928	27,060	29,600	31,079	33,559
Capital Outlay	2,398	866	547	63	5,161
Total	$14,790,147	$15,237,807	$15,863,407	$16,573,050	$17,531,885
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$417,871	$216,926	$326,779	$508,884	$194,380
OTHER FINANCING SOURCES (USES):					
Operating Transfers from (to) Other Funds-Net	($197,219)	($131,647)	($133,714)	($243,604)	$43,178
Sales of Capital Assets	770	870	807	1,388	1,499
Capital Leases	1,736	866	547	63	5,161
OTHER FINANCING SOURCES (USES)-Net	($194,713)	($129,911)	($132,360)	($242,153)	$49,838
Excess (Deficiency) of Revenues and other Sources Over Expenditures and Other Uses	223,158	87,015	194,419	266,731	244,218
Beginning Fund Balance	2,879,650	3,102,808	3,189,823	3,384,242	3,650,973
Ending Fund Balance	$3,102,808	$3,189,823	$3,384,242	$3,650,973	$3,895,191

Sources: Comprehensive Annual Financial Reports for fiscal years ended June 30, 2014, 2015, 2016, 2017 and 2018.

COUNTY OF LOS ANGELES BORROWABLE RESOURCES
FUNDS AVAILABLE FOR INTRAFUND BORROWING

2017-18: 12 MONTHS ACTUAL
2018-19: 10 MONTHS ACTUAL

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	April 2018	May 2018	June 2018	
						PROPERTY TAX GROUP
$ 1,657,829	$ 605,430	$ 594,839	$ 2,086,164	$ 853,191	$ 174,215	**Tax Collector Trust Fund**
1,632,891	1,444,515	595,738	1,725,787	930,765	524,288	**Auditor Unapportioned Property Tax**
68,272	56,764	54,307	44,439	61,236	100,801	**Unsecured Property Tax**
6,394	6,403	6,357	6,355	6,322	6,309	**Miscellaneous Fees & Taxes**
23,112	19,579	17,872	18,407	18,649	17,251	**State Redemption Fund**
507,917	289,170	234,764	410,440	463,758	136,597	**Education Revenue Augmentation**
18,471	1,132	1,132	2,154	17,555	8,105	**State Reimbursement Fund**
0	0	0	0	0	0	**Sales Tax Replacement Fund**
651,142	441,584	723,359	795,929	576,476	0	**Vehicle License Fee Replacement Fund**
13,619	25,574	13,008	13,504	16,080	11,946	**Property Tax Rebate Fund**
13,224	12,506	8,217	12,009	16,344	18,734	**Utility User Tax Trust Fund**
$ 4,592,871	$ 2,902,657	$ 2,249,593	$ 5,115,188	$ 2,960,376	$ 998,246	**Subtotal**
						VARIOUS TRUST GROUP
$ 480,800	$ 472,336	$ 475,234	$ 479,896	$ 474,779	$ 494,070	**Departmental Trust Fund**
66,343	31,973	37,108	51,900	39,546	40,403	**Payroll Revolving Fund**
44,433	44,458	44,504	44,523	44,532	44,639	**Asset Development Fund**
5,146	4,990	6,217	8,043	7,880	7,829	**Productivity Investment Fund**
623	601	601	611	625	599	**Motor Vehicle Capital Outlays**
208	294	304	322	430	258	**Civic Center Parking**
545	534	622	600	407	219	**Reporters Salary Fund**
13,443	13,303	13,345	13,553	13,368	13,508	**Cable TV Franchise Fund**
12,057	11,998	11,993	11,999	11,765	11,759	**Megaflex Long-Term Disability**
11,387	11,412	11,459	11,545	11,614	11,716	**Megaflex Long-Term Disability & Health**
55,715	56,065	56,554	57,021	57,244	57,598	**Megaflex Short-Term Disability**
$ 690,700	$ 647,964	$ 657,941	$ 680,013	$ 662,190	$ 682,598	**Subtotal**
						HOSPITAL GROUP
$ 4,210	$ 4,656	$ 1,830	$ 1,703	$ 793	$ 4,600	**Harbor-UCLA Medical Center**
1,126	(1,371)	1,658	1,332	3,182	18,338	**Olive View-UCLA Medical Center**
1,777	6,120	3,970	717	7,489	22,772	**LAC + USC Medical Center**
0	0	0	0	0	0	**MLK Ambulatory Care Center**
4,086	(800)	183	175	(269)	1,357	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 11,199	$ 8,605	$ 7,641	$ 3,927	$ 11,195	$ 47,067	**Subtotal**
$ 5,294,770	**$ 3,559,226**	**$ 2,915,175**	**$ 5,799,128**	**$ 3,633,761**	**$ 1,727,911**	**GRAND TOTAL**

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

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

Detail may not add due to rounding.

Source: Los Angeles County Auditor-Controller

January 2019	February 2019	March 2019	April 2019	Estimated May 2019	Estimated June 2019	
						PROPERTY TAX GROUP
$ 1,083,544	$ 692,363	$ 947,783	$ 2,285,226	$ 840,093	$ 154,321	**Tax Collector Trust Fund**
1,331,532	945,011	711,383	1,613,184	689,780	187,045	**Auditor Unapportioned Property Tax**
72,570	69,847	63,778	49,121	94,621	128,200	**Unsecured Property Tax**
6,282	6,318	6,258	6,302	9,198	8,868	**Miscellaneous Fees & Taxes**
21,976	23,091	22,417	21,715	34,647	25,268	**State Redemption Fund**
460,340	218,012	35,106	376,848	79,607	168,583	**Education Revenue Augmentation**
17,157	1,088	1,088	2,090	29,269	11,261	**State Reimbursement Fund**
0	0	0	0	81,348	0	**Sales Tax Replacement Fund**
595,307	354,258	661,325	702,571	574,415	0	**Vehicle License Fee Replacement Fund**
23,657	15,161	11,668	19,200	0	0	**Property Tax Rebate Fund**
22,432	4,252	8,936	1,541	7,261	11,403	**Utility User Tax Trust Fund**
$ 3,634,797	$ 2,329,401	$ 2,469,742	$ 5,077,798	$ 2,440,239	$ 694,949	**Subtotal**
						VARIOUS TRUST GROUP
$ 457,910	$ 443,128	$ 470,522	$ 505,003	$ 555,784	$ 542,645	**Departmental Trust Fund**
41,220	36,012	43,410	72,529	62,091	51,560	**Payroll Revolving Fund**
59,899	60,166	60,369	60,453	44,000	44,000	**Asset Development Fund**
6,863	6,606	6,551	8,599	6,000	6,000	**Productivity Investment Fund**
647	626	603	603	6,000	6,000	**Motor Vehicle Capital Outlays**
269	212	99	288	239	143	**Civic Center Parking**
539	354	370	516	559	413	**Reporters Salary Fund**
14,107	13,947	14,342	14,164	13,000	13,000	**Cable TV Franchise Fund**
11,453	11,508	11,456	11,356	14,893	14,893	**Megaflex Long-Term Disability**
12,257	12,262	12,351	12,426	9,306	9,306	**Megaflex Long-Term Disability & Health**
59,902	60,257	60,848	61,527	43,310	43,310	**Megaflex Short-Term Disability**
$ 665,066	$ 645,078	$ 680,921	$ 747,464	$ 755,182	$ 731,270	**Subtotal**
						HOSPITAL GROUP
$ (1,271)	$ (3,097)	$ (2,869)	$ 6,941	$ 0	$ 0	**Harbor-UCLA Medical Center**
(2,098)	155	775	12,447	0	0	**Olive View-UCLA Medical Center**
8,064	3,736	3,490	7,595	0	0	**LAC + USC Medical Center**
0	0	0	0	0	0	**MLK Ambulatory Care Center**
3,050	398	23	(60)	0	0	**Rancho Los Amigos Rehab Center**
0	0	0	0	0	0	**LAC+USC Medical Center Equipment**
$ 7,745	$ 1,192	$ 1,419	$ 26,923	$ 0	$ 0	**Subtotal**
$ 4,307,608	**$ 2,975,671**	**$ 3,152,082**	**$ 5,852,185**	**$ 3,195,421**	**$ 1,426,219**	**GRAND TOTAL**

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW STATEMENTS

2017-18: 12 MONTHS ACTUAL
2018-19: 10 MONTHS ACTUAL

COUNTY OF LOS ANGELES
GENERAL FUND CASH FLOW ANALYSIS
FISCAL YEAR 2017-18
(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)	3,476	15,562
Hospital Loan Repayment*	37,283	587,151	101,231	1,004,342	(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 decrease of $43.32 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	April 2018	May 2018	June 2018	Total 2017-18
$ 632,514	$ 1,370,053	$ 1,660,492	$ 1,853,032	$ 1,311,599	$ 1,218,507	$ 2,088,027	
$ 1,309,725	$ 1,273,331	$ 434,542	$ 12,806	$ 724,033	$ 1,138,485	$ 265,011	$ 5,391,435
16,475	13,061	27,143	12,995	13,119	27,061	26,422	224,051
4,306	2,743	3,075	7,379	12,065	10,269	3,871	62,683
7,916	8,981	22,146	13,964	9,682	21,920	8,803	178,502
15,464	15,236	16,635	15,272	18,590	34,389	23,203	232,312
33,755	32,245	44,213	32,568	31,526	34,666	15,776	205,293
56,884	58,836	84,302	54,437	49,395	73,304	56,005	753,222
61,565	63,718	91,229	59,810	54,491	80,546	61,522	817,864
246,274	176,022	189,581	311,856	144,277	258,897	231,480	2,859,044
154,764	305,644	94,907	115,602	205,586	114,638	160,020	1,801,784
107,978	(11,676)	49,210	45,634	112,447	187,277	(47,069)	620,557
51,352	4,135	4,416	59,219	22,509	9,945	15,148	206,242
231,725	264,186	145,012	0	337,090	274,478	594,802	3,239,300
514,006	365,786	376,824	489,513	391,488	302,251	427,749	4,798,938
1,726	1,145	144,549	27,602	54,006	27,836	28,673	395,673
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	$ 2,180,304	$ 2,595,962	$ 1,871,416	$ 22,586,900
$ 225,584	$ 330,359	$ 190,321	$ 228,457	$ 269,452	$ 232,624	$ 234,905	$ 2,784,548
505,244	517,511	500,413	486,925	510,433	490,831	496,597	5,908,277
306,347	338,658	318,993	301,720	318,628	323,044	302,882	3,718,714
332,538	411,600	334,420	434,642	524,810	455,988	391,189	5,122,291
355,686	274,269	146,460	330,094	351,111	150,240	117,956	3,195,981
(6,065)	(383)	34,735	0	(250)	0	47,230	501,323
42,042	95,940	9,902	18,252	89,656	73,715	9,748	665,951
315,000	315,000	0	0	209,556	0	0	839,556
0	0	0	0	0	0	0	0
$ 2,076,376	$ 2,282,954	$ 1,535,244	$ 1,800,090	$ 2,273,396	$ 1,726,442	$ 1,600,507	$ 22,736,641
$ 1,370,053	**$ 1,660,492**	**$ 1,853,032**	**$ 1,311,599**	**$ 1,218,507**	**$ 2,088,027**	**$ 2,358,936**	
$ 7,113,753	$ 5,294,770	$ 3,559,226	$ 2,915,175	$ 5,799,128	$ 3,633,761	$ 1,727,911	
$ 8,483,806	$ 6,955,262	$ 5,412,258	$ 4,226,774	$ 7,017,635	$ 5,721,788	$ 4,086,847	

COUNTY OF LOS ANGELES

GENERAL FUND CASH FLOW ANALYSIS

FISCAL YEAR 2018-19

(in thousands of $)

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

* The net change in the outstanding Hospital Loan Balance is an increase of $346.65 million and can be calculated by subtracting the "Hospital Loan Repayment" Receipt from the "Loans to Hospitals" Disbursement shown above.

December 2018	January 2019	February 2019	March 2019	April 2019	Estimated May 2019	Estimated June 2019	Total 2018-19
$ 600,424	$ 910,213	$ 1,140,594	$ 1,023,697	$ 149,330	$ 734,180	$ 1,644,430	
$ 1,388,009	$ 1,367,759	$ 230,352	$ 17,410	$ 1,007,328	$ 1,275,944	$ 263,681	$ 5,830,338
14,277	15,541	33,837	12,117	24,203	10,288	18,097	223,869
3,805	2,576	3,999	7,452	15,413	6,464	3,530	63,698
7,921	8,189	23,070	14,161	8,782	19,641	8,468	172,034
17,032	18,915	22,394	20,224	20,506	21,250	20,281	260,237
31,105	36,301	44,308	33,298	34,286	33,349	15,215	160,594
58,890	60,233	89,455	60,470	52,513	64,445	50,876	778,662
59,399	61,317	93,650	62,467	52,883	64,997	59,239	804,314
160,192	237,425	313,251	187,039	137,575	216,911	164,720	2,831,341
131,327	316,035	136,861	140,255	188,859	118,828	202,684	1,900,898
79,482	45,545	58,015	115,120	150,716	24,813	27,993	893,321
10,472	10,390	4,399	5,786	14,104	6,519	16,102	135,208
0	285,146	183,688	0	360,728	515,793	165,352	2,003,441
546,766	310,021	352,546	510,067	429,009	297,431	377,309	4,750,769
61,323	34,212	36,621	43,599	49,665	27,204	27,204	569,164
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	700,000
$ 2,570,000	$ 2,809,605	$ 1,626,446	$ 1,229,465	$ 2,546,570	$ 2,703,874	$ 1,420,751	$ 22,077,887
$ 183,458	$ 472,975	$ 182,800	$ 262,585	$ 231,695	$ 245,651	$ 257,496	$ 2,785,619
609,681	557,253	538,365	531,352	551,155	538,839	542,208	6,469,302
339,019	382,007	336,634	363,169	339,723	341,442	333,426	4,089,204
393,251	471,317	369,045	549,156	431,223	440,177	406,284	5,496,222
372,083	295,009	220,823	362,586	186,065	159,460	219,179	2,350,089
0	(2,901)	82,674	0	0	0	0	573,243
47,719	88,564	13,002	34,984	124,170	68,055	15,927	654,793
315,000	315,000	0	0	97,689	0	0	727,689
0	0	0	0	0	0	0	0
$ 2,260,211	$ 2,579,224	$ 1,743,343	$ 2,103,832	$ 1,961,720	$ 1,793,625	$ 1,774,519	$ 23,146,161
$ 910,213	**$ 1,140,594**	**$ 1,023,697**	**$ 149,330**	**$ 734,180**	**$ 1,644,430**	**$ 1,290,662**	
$ 6,828,877	$ 4,307,608	$ 2,975,671	$ 3,152,082	$ 5,852,185	$ 3,195,421	$ 1,426,219	
$ 7,739,090	$ 5,448,202	$ 3,999,368	$ 3,301,412	$ 6,586,365	$ 4,839,851	$ 2,716,881	

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, 2018, approximately $1.695 billion of intermediate and long-term obligations were outstanding. The General Fund is responsible for repayment of $770 million of the outstanding debt. Revenues from Special Districts/Special Funds, Courthouse Construction Fund, and Hospital Enterprise Funds secure the remaining $925 million of outstanding obligations.

The table below identifies the funding sources for the County's debt payments due in 2018-19.

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

2018-19 Payments

Funding Source	2018-19 Payment
Total 2018-19 Payment Obligations	$153,329,972
Less: Sources of Non-General Fund Entities:	
Hospital Enterprise Fund	56,629,774
Courthouse Construction Funds	15,013,314
Special Districts/Special Funds	2,772,901
Net 2018-19 General Fund Obligations	$78,913,983

Source: Los Angeles County Auditor-Controller

As of May 1, 2019, the County has $1.132 billion of outstanding short-term obligations, which include $700 million in TRANs, $35.0 million in Bond Anticipation Notes, and $397 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, 2019 (in thousands)

Type of Obligation	Outstanding Principal
Total County	
Short-Term Obligations:	
Tax and Revenue Anticipation Notes	$700,000
Bond Anticipation Notes	35,000
Lease Revenue Notes	396,840
Intermediate & Long-Term Obligations	1,942,747
Total Outstanding Principal	$3,074,587

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 15, 2018, the County issued $700 million of 2018-19 TRANs on July 2, 2018. The 2018-19 TRANs matured on June 28, 2019.

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

Bond Anticipation Notes

The County is currently utilizing the proceeds from the issuance of Bond Anticipation Notes ("BANs") to provide an interim source of funding for the acquisition of equipment on behalf of the County General Fund. The BANs are issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and are purchased by the County Treasury Pool under terms and conditions established by the Board of Supervisors. The BANs are payable within three years of their initial issuance date from the proceeds of long-term bonds or other available funds. The repayment of the BANs is secured by lease agreements between the County and LAC-CAL and a pledge of the acquired equipment. As of July 1, 2019, $50.0 million in BANs are outstanding. The County expects to repay a portion of the outstanding BANs with the proceeds of intermediate-term bonds to be issued by LAC-CAL on or before June 30, 2020.

Lease Revenue Note Program

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

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

As of July 1, 2019, $562.3 million of commercial paper notes are outstanding. In August 2019, the County intends to issue approximately $260 million of long-term lease revenue bonds (the “2019 Lease Revenue Bonds”) to refinance multiple capital projects from the Note Program that have completed construction.

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

INTERMEDIATE AND LONG-TERM OBLIGATIONS

Lease Obligations

Since 1962, the County has financed its capital project and equipment replacement program through various lease arrangements with joint powers authorities and nonprofit corporations, which have issued lease revenue bonds or certificates of participation. As of July 1, 2018, approximately $1.695 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 2018-19 Final Adopted Budget and the Fiscal Year 2019-20 Recommended Budget contain sufficient appropriations to fund the debt service on the County’s lease payment obligations. The County’s Board of Supervisors has never failed to appropriate sufficient funding for such obligations, nor has the County abated payments on any of its lease-revenue financings to date.

DEBT RATIOS

The ratio of the General Fund’s outstanding debt to the net revenue-producing valuation of the property tax roll (the “Net Local Roll”) decreased from 0.124% in Fiscal Year 2017-18 to 0.112% in Fiscal Year 2018-19. 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
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	1,761,081,064	1,416,125,372,989	0.124%
2018-19	1,695,142,404	1,509,888,186,608	0.112%

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

From January 28, 1999 through July 28, 2005, the County entered into several build to suit operating and capital lease agreements with various organizations whereby the County would lease buildings and improvements for use by County Departments including the Department of Public Social Services (the “DPSS Facilities”). In order to facilitate the construction of the DPSS Facilities, financing was obtained through the sale of Certificates of Participation (“COPs”) and Lease Revenue Bonds with the periodic lease payments pledged as security for repayment of the debt securities. Although these financings are categorized as leases in the County’s financial statements, the ultimate obligor for the outstanding debt is the County General Fund. The principal amount of the outstanding underlying COPs and Bond obligations is $219.2 million as of May 1, 2019.

Vermont Corridor Project

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

COUNTY OF LOS ANGELES
DEBT SUMMARY TABLES

REPORTS AS OF JULY 1, 2018

COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE

CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE

OUTSTANDING PRINCIPAL BY FUNDING SOURCE

REPORTS AS OF MAY 1, 2019

SUMMARY OF OUTSTANDING GENERAL FUND AND SPECIAL FUND OBLIGATIONS

ESTIMATED OVERLAPPING DEBT STATEMENT

COUNTY OF LOS ANGELES
COMBINED PRINCIPAL AND INTEREST OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2018

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Annual Debt Service
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	$ 1,308,485,615	$ 1,206,948,245	$ 208,624,795	$ 70,926,996	$ 2,794,985,652

COUNTY OF LOS ANGELES
OUTSTANDING PRINCIPAL OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2018

Fiscal Year	General Fund	Hospital Enterprise Fund	Courthouse Construction Fund	Special Districts / Special Funds	Total Outstanding Principal
2018-19	$ 769,995,063	$ 731,786,176	$ 152,675,000	$ 40,686,165	$ 1,695,142,404
2019-20	740,695,443	708,963,922	144,035,000	39,872,265	1,633,566,630
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
CURRENT FISCAL YEAR DEBT SERVICE OBLIGATIONS BY FUNDING SOURCE
AS OF JULY 1, 2018

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	$ 17,550,000	$ 17,550,000			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 731,064	$ 731,064			
Patriotic Hall Renovation	1,180,536	1,180,536			
Hall of Justice Rehabilitation	6,094,538	6,094,538			
Olive View Medical Center ER/TB Unit	1,360,286		$ 1,360,286		
Olive View Medical Center Seismic	560,384		560,384		
Harbor/UCLA Surgery/ Emergency	8,524,184		8,524,184		
Harbor/UCLA Seismic Retrofit	1,314,465		1,314,465		
Total 2010 Multiple Capital Projects I, Series A	$ 19,765,456	$ 8,006,137	$ 11,759,319	$ 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	$ 8,844,232		$ 8,844,232		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	10,766,316		10,766,316		
Martin Luther King Jr. Data Center	341,926		341,926		
Fire Station 128	297,046				$ 297,046
Fire Station 132	480,440				480,440
Fire Station 150	745,199				745,199
Fire Station 156	442,341				442,341
Total 2012 Multiple Capital Projects II, Series 2012	$ 21,917,500	$ 0	$ 19,952,474	$ 0	$ 1,965,026
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 9,196,625	$ 9,196,625			
Manhattan Beach Library	807,875				$ 807,875
Total 2015 Multiple Capital Projects, Series A	$ 10,004,500	$ 9,196,625	$ 0	$ 0	$ 807,875
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	$ 3,114,625	$ 3,114,625			
LAX Area Courthouse	2,533,000			$ 2,533,000	
Chatsworth Courthouse	2,124,500			2,124,500	
Total 2015 Multiple Capital Projects, Series B	$ 7,772,125	$ 3,114,625	$ 0	$ 4,657,500	$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	$ 10,355,814			$ 10,355,814	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	$ 15,904,044	$ 15,904,044			
Total Long-Term Obligations	$ 137,924,347	$ 69,670,608	$ 50,467,524	$ 15,013,314	$ 2,772,901
Intermediate-Term Obligations					
Equipment					
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 15,405,625	$ 9,243,375	$ 6,162,250		
Total Intermediate-Term Obligations	$ 15,405,625	$ 9,243,375	$ 6,162,250	$ 0	$ 0
Total Obligations	$ 153,329,972	$ 78,913,983	$ 56,629,774	$ 15,013,314	$ 2,772,901

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, 2018

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	$ 7,513,152	$ 7,513,152			
2010 Multiple Capital Projects I, Series A:					
Coroners Expansion/ Refurbishment	$ 1,392,558	$ 1,392,558			
Patriotic Hall Renovation	2,248,730	2,248,730			
Hall of Justice Rehabilitation	11,609,109	11,609,109			
Olive View Medical Center ER/TB Unit	2,591,124		$ 2,591,124		
Olive View Medical Center Seismic	1,067,442		1,067,442		
Harbor/UCLA Surgery/ Emergency	16,237,193		16,237,193		
Harbor/UCLA Seismic Retrofit	2,503,844		2,503,844		
Total 2010 Multiple Capital Projects I, Series A	$ 37,650,000	$ 15,250,397	$ 22,399,603	$ 0	$ 0
2010 Multiple Capital Projects I, Series B:					
Coroners Expansion/ Refurbishment	$ 25,447,194	$ 25,447,194			
Patriotic Hall Renovation	41,092,631	41,092,631			
Hall of Justice Rehabilitation	212,141,438	212,141,438			
Olive View Medical Center ER/TB Unit	47,349,441		$ 47,349,441		
Olive View Medical Center Seismic	19,506,113		19,506,113		
Harbor/UCLA Surgery/ Emergency	296,713,674		296,713,674		
Harbor/UCLA Seismic Retrofit	45,754,510		45,754,510		
Total 2010 Multiple Capital Projects I, Series B	$ 688,005,000	$ 278,681,262	$ 409,323,738	$ 0	$ 0
2011 High Desert Solar Complex (Federally Taxable)	$ 5,769,252	$ 5,769,252			
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	$ 129,268,837		$ 129,268,837		
Martin Luther King Jr. Multi-Service Ambulatory Care Center	157,362,346		157,362,346		
Martin Luther King Jr. Data Center	4,997,653		4,997,653		
Fire Station 128	4,341,681				$ 4,341,681
Fire Station 132	7,022,197				7,022,197
Fire Station 150	10,891,957				10,891,957
Fire Station 156	6,465,330				6,465,330
Total 2012 Multiple Capital Projects II, Series 2012	$ 320,350,000	$ 0	$ 291,628,835	$ 0	$ 28,721,165
2015 Multiple Capital Projects, Series A					
Zev Yaroslavsky Family Support Center	$ 136,255,000	$ 136,255,000			
Manhattan Beach Library	11,965,000				$ 11,965,000
Total 2015 Multiple Capital Projects, Series A	$ 148,220,000	$ 136,255,000	$ 0	$ 0	$ 11,965,000
2015 Lease Revenue Refunding Bonds, Series B					
Calabasas Landfill Project	$ 11,690,000	$ 11,690,000			
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	104,840,000	$ 11,690,000	$ 0	$ 93,150,000	$ 0
2015 Lease Revenue Refunding Bonds, Series C					
Michael D. Antonovich Antelope Valley Courthouse	$ 59,525,000			$ 59,525,000	
2016 Lease Revenue Bonds, Series D					
Martin Luther King Inpatient Tower	$ 251,510,000	$ 251,510,000			
Total Long-Term Obligations	$ 1,674,057,404	$ 757,344,063	$ 723,352,176	$ 152,675,000	$ 40,686,165
Intermediate-Term Obligations					
Equipment					
2017 Lease Rev Bonds Ser A (LAC-CAL): LAC-CAL Equipment Program	$ 21,085,000	$ 12,651,000	$ 8,434,000		
Total Intermediate-Term Obligations	$ 21,085,000	$ 12,651,000	$ 8,434,000	$ 0	$ 0
Total Obligations	$ 1,695,142,404	$ 769,995,063	$ 731,786,176	$ 152,675,000	$ 40,686,165

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, 2019

Title	Outstanding Principal	Total Future Payments	2018-19 FY Payment Remaining
Long-Term Obligations			
Long-Term Capital Projects			
1993 COPs: Disney Parking Project	$ 4,465,857	$ 28,005,000	$ 0
2010 Lease Rev Bonds, Series A - 2010 Multiple Capital Projects I	19,290,000	19,769,213	0
2010 Lease Rev Bonds, Series B - 2010 Multiple Capital Projects I (Federally Taxable)	688,005,000	1,104,449,160 (1)	0
2011 Lease Rev Bonds - High Desert Solar Complex (Federally Taxable)	5,230,773	5,494,230 (1)	0
2012 Refg COPs: Disney Parking Project	50,675,000	58,296,750	0
2012 Lease Rev Bonds - Multiple Capital Projects II Series 2012	313,670,000	525,908,100	0
2015 Multiple Capital Projects, Series A	145,560,000	263,738,000	3,639,000
2015 Lease Revenue Refunding Bonds Series B	102,245,000	150,232,250	2,556,125
2015 Lease Revenue Refunding Bonds Series C (Taxable)	50,885,000	56,549,411	813,929
2016 Lease Revenue Bonds Series D	247,000,000	435,097,944	5,663,197
2018 Lease Revenue Bonds (Vermont Corridor) Series A	297,280,000	602,411,700	7,078,350
2018 Lease Revenue Bonds (Vermont Corridor) Series B (Federally Taxable)	5,100,000	5,763,000	82,875
Total Long-Term Obligations	$ 1,929,406,630	$ 3,255,714,756	$ 19,833,476
Intermediate-Term Obligations			
Equipment			
2017 Lease Rev Bonds Series A - LAC-CAL Equipment Program	$ 13,340,000	$ 13,921,375	$ 7,133,500
Total Intermediate-Term Obligations	$ 13,340,000	$ 13,921,375	$ 7,133,500
Total Obligations	$ 1,942,746,630	$ 3,269,636,131	$ 26,966,976

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, 2019
2018-19 Assessed Valuation: $1,626,067,653,032: (includes unitary valuation)

	Applicable %		Debt as of 5/1/19
DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			
Metropolitan Water District	48.499 %	$	23,303,770
Los Angeles Community College District	100.000		3,930,390,000
Other Community College Districts	Various (1)		3,593,836,736
Arcadia Unified School District	100.000		218,086,334
Beverly Hills Unified School District	100.000		362,252,561
Glendale Unified School District	100.000		283,409,986
Long Beach Unified School District	100.000		1,077,235,702
Los Angeles Unified School District	100.000		10,199,475,000
Pasadena Unified School District	100.000		318,355,000
Pomona Unified School District	100.000		316,875,310
Redondo Beach Unified School District	100.000		210,673,403
Santa Monica-Malibu Unified School District	100.000		459,369,497
Torrance Unified School District	100.000		449,513,325
Other Unified School Districts	Various (1)		3,881,969,360
High School and School Districts	Various (1)		2,039,465,296
City of Los Angeles	100.000		877,260,000
City of Industry	100.000		70,890,000
Other Cities	100.000		48,245,000
Community Facilities Districts	100.000		677,668,606
Los Angeles County Regional Park & Open Space Assessment District	100.000		13,620,000
1915 Act and Benefit Assessment Bonds - Estimate	100.000		101,397,102
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$	29,153,291,988
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT			
Los Angeles County General Fund Obligations	**100.000 %**	**$**	**2,161,916,630**
Los Angeles County Office of Education Certificates of Participation	100.000		5,827,868
Community College District Certificates of Participation	Various (2)		26,524,853
Baldwin Park Unified School District Certificates of Participation	100.000		28,575,000
Compton Unified School District Certificates of Participation	100.000		17,260,000
Los Angeles Unified School District Certificates of Participation	100.000		180,545,000
Paramount Unified School District Certificates of Participation	100.000		28,190,000
Other Unified School District Certificates of Participation	Various (2)		178,720,873
High School and Elementary School District General Fund Obligations	Various (2)		151,698,603
City of Beverly Hills General Fund Obligations	100.000		122,980,000
City of Los Angeles General Fund and Judgment Obligations	100.000		1,422,818,015
City of Long Beach General Fund Obligations	100.000		110,090,000
City of Long Beach Pension Obligations Bonds	100.000		19,315,000
City of Pasadena General Fund Obligations	100.000		418,443,414
City of Pasadena Pension Obligations Bonds	100.000		119,460,000
Other Cities' General Fund Obligations	100.000		1,644,483,148
Los Angeles County Sanitation Districts Financing Authority	100.000		85,074,031
Antelope Valley Hospital District General Fund Obligation	100.000		13,011,464
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	6,734,933,899
Less: Los Angeles Unified School District Qualified Zone Academy Bonds supported by investment funds and economically defeased certificates of participation			(7,400,000)
Cities' supported bonds			(395,392,615)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$	6,332,141,284
OVERLAPPING TAX INCREMENT DEBT: (Successor Agencies):		$	(3,223,506,656)
GROSS COMBINED TOTAL DEBT		$	39,111,732,543 (3)
NET COMBINED TOTAL DEBT		$	38,708,939,928

(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 2018-19 ASSESSED VALUATION	
Total Gross Overlapping Tax and Assessment Debt	1.79 %
Total Gross Direct Debt ($2,161,916,630))	0.13 %
Gross Combined Total Debt	2.41 %
Net Combined Total Debt	2.38 %
Ratios to Redevelopment Sucessor Agency Incremental Valuation ($215,090,610,606)	
Total Overlapping Tax Increment Debt	1.50 %

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 2018 Gross Product of $807.0 billion, Los Angeles County's economy is larger than that of 45 states and all but 17 countries. The County serves as the central trade district for the western United States and the U.S. gateway to the Asian economies, as it has evolved into a leader in international commerce and investments. The County's economy continued to experience steady growth in 2018 with an increase in economic output of 5.4%, as measured by Gross Product, and an estimated increase in total taxable sales of 2.7%. The economic expansion is expected to continue in 2019, with several sectors of the local economy experiencing growth.

The County's unemployment rate fell to 4.6% in 2018, which reflects the ongoing improvement in the job market, and the lowest rate of the post-recession period. In 2019 and 2020, the positive trend in the job market is expected to continue, with a projected decline in the average unemployment rate to 4.4% and 4.3% respectively. The significant job losses which occurred during the recession of 2008 and 2009 has been 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 $9.4 billion in general obligation bond measures supported by ad valorem taxes to finance new capital construction and improvement projects, with an average approval rate of over 73%. As of December 31, 2018, K-12 schools and community college districts in the County had approximately $19.4 billion of previously authorized, but unissued bond capacity. The Measure A parcel tax is expected to generate approximately $94 million per year for the County's local parks, beaches, and open space areas, and will replace the expiring funding from voter approved Propositions A in 1992 and 1996.

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

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

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

In addition, hospitals throughout the County are engaged in building programs to meet stricter earthquake standards and other regulatory requirements. These major construction projects, combined with the terminal expansions under way at the two primary sea ports (Port of Los Angeles and Port of Long Beach), the expansion of the Los Angeles International Airport ("LAX"), and the expansion of the Metro Light Rail System have provided continued support to 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 341,300 workers employed in this sector in 2018. 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 187,600 workers in 2018.

Quality of Life

Higher Education

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

Culture

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

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

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

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

Sports and Recreation

With its geographic size, topography, mild climate, and an average of 329 days of sunshine per year, Los Angeles County offers a full spectrum of recreational activities that are enjoyed by residents and visitors on a year-round basis. The County owns and maintains the world's largest man-made recreational harbor at Marina del Rey, and manages over 181 parks, over 200 miles of horse, biking, and hiking trails, natural habitat and the world's largest public golf course system. Each year, millions of people visit the County's 25 miles of public beaches stretching along its 75-mile coastline, with bike enthusiasts able to enjoy the County's 22-mile beach bikeway.

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

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

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

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

Population

The County is the most populous county in the U.S. with nearly 10.3 million people estimated to be residing within its borders. The County's population makes it equivalent to the tenth largest state in the nation and accounts for approximately 25.8% of the total population of California. According to the U.S. Census Bureau's demographic profile, the County's population is comprised of 48.6% Hispanic, 26.2% White, 15.3% Asian, 9.0% African American and 0.9% other. The County is home to the highest number of foreign–born residents in the nation and has the largest population of persons of Chinese, Filipino, Japanese, Korean, Mexican, Salvadoran and Thai descent outside their native countries. With 103 consulates, the County has a larger consular corps than any other U.S. city outside of Washington D.C. with more than 220 languages and cultures represented across the County. It is estimated that 78.2% of the adult population has a high school diploma or higher, and 31.2% 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 eight years to 4.6% in 2018. In comparison, the average unemployment rates for the State of California and the United States in 2018 were 4.2% and 3.9%, respectively. The unemployment rate in the County is expected to experience continued improvement over the next two years, falling to 4.4% in 2019 and 4.3% in 2020, as the County approaches full employment. Table E details the County's historical unemployment rates from 2014 through 2018. The employment situation in the County showed additional signs of improvement in 2018, with estimated total net job growth of 51,100 among the various sectors of the local economy. Table F details the non-agricultural employment statistics by sector for the County from 2014 through 2018.

Personal Income

Total personal income in the County grew by an estimated 3.8% in 2018. The 2018 total personal income of $621.1 billion represents an estimated 25.1% of the total personal income generated in California. The LAEDC is projecting continued growth in personal income of 2.6% for 2019 and 2.1% for 2020.

Table C provides a summary of the personal income statistics for the County from 2014 through 2018.

Consumer Spending

As the most populous county in the nation with a vibrant and diverse economy, the County is recognized as a national leader in consumer spending. Based on estimates provided by LAEDC, the County experienced a 4.0% increase in total taxable sales in 2017, with continued growth of 2.7% estimated for 2018. The $164.8 billion of total estimated taxable sales in the County for 2018 represents 24.3% 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 2014 through 2018.

Industry

With an estimated annual economic output of $807.0 billion in 2018, the County continues to rank among the world's largest economies. The County's 2018 Gross Product represents approximately 27.3% 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 2014 through 2018.

International Trade

Due to its strategic location, broad transportation network and extensive cargo facilities, the County has become the leading center of international trade in the United States. The County's airports and extensive port facilities serve as the gateway for the Southern California region's thriving international trade. The value of two-way trade in the LACD experienced steady growth over the previous decade, resulting in a record level of $357.1 billion in 2008. The value of two-way trade in the LACD grew by 26.7% from 2009 to 2017, handling approximately $431.0 billion worth of international trade, which represents an 8.3% increase from 2016.

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 2018, LAX served 87.5 million passengers, representing a 3.5% increase from the previous year. The 2.45 million tons of air cargo handled at LAX in 2018, represents an increase of 2.4% from 2017 levels. The $14 billion capital improvement project currently underway at LAX is expected to generate approximately 121,000 local jobs and is projected to last through 2023. 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 expected to begin on the replacement terminal sometime between 2021 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 27 passenger and cargo terminals, including facilities to handle automobiles, containers, dry bulk and liquid bulk products. In 2018, the Port handled 9.5 million TEUs, which represents a 1.2% increase in container volume from 2017.

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 3,200 acres with 10 separate piers, 62 berths, 68 cranes and 22 shipping terminals. In 2018, the port handled nearly 8.1 million TEUs of container cargo, which represents an increase of 7.2% from 2017.

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

The Fiscal Year 2018-19 operating budget for the MTA is $6.6 billion, which is funded primarily through voter approved State and local sales taxes, State gasoline taxes, and various Federal, State and local grants. The MTA is currently working on approximately $18.9 billion of multiple transportation infrastructure projects which include, Airport Rail Connector and Green Line Extension; East San Fernando Valley Transit Corridor; Gold Line Rail

Extension; Purple Line Rail Subway Extension; West Santa Anita Light Rail Corridor; Orange Line BRT Improvements; South Bay Green Line Rail Extension and the Crenshaw/LAX Light Rail Extension.

Visitor and Convention Business

Tens of millions of visitors travel to Southern California each year, providing a significant contribution to the County's economy. In 2018, the Los Angeles region hosted a record high of 50 million visitors, representing a 3.1% increase from 2017. According to the Los Angeles Convention and Visitors Bureau, a record 7.5 million foreign residents visited the region in 2018, which represents a 3.6% increase compared to 2017. Recently constructed hotels in downtown Los Angeles, Beverly Hills and Hollywood are attracting additional business and leisure travelers to the County.

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 81.1% from 2012 to 2018.

In 2018, the real estate market continued to experience strong growth, as the average median home price increased by 6.6% to $598,368 from 2017. After a record high of 105,433 in 2009, notices of default recorded has decreased by 90.8% to 9,726 in 2018, which represents a decrease of 14.7% from 2017. Foreclosures, as measured by the number of trustees deeds recorded, has experienced a significant decrease of over 95% from a cyclical high of 39,774 in 2008 to 1,792 in 2018. The number of trustees deeds recorded in 2018 represents a 30% decrease from 2017 (2,570 to 1,792).

Despite the severe downturn in the housing market from 2007 to 2011, the County has maintained stable assessed valuations. The stability of the property tax base is primarily due to the significant amount of "stored value" in the secured property tax roll as a result of Proposition 13. For Fiscal Year 2019-20, the County Assessor is reporting a Net Local Roll of $1.604 trillion, which represents a 6.25% increase from the Net Local Roll of $1.510 trillion in Fiscal Year 2018-19. The Net Local Roll in Fiscal Year 2019-20 represents a 51.9% increase from Fiscal Year 2011-12, and the ninth consecutive year of growth in assessed valuation after the most recent economic downturn.

The commercial real estate sector continued to show improvement in 2018. Construction lending experienced robust growth of 49.9% from $13,619 billion in 2017 to $20,419 billion in 2018. Office market vacancy rates improved slightly from 2017 to 2018, with a decrease in the average vacancy rate from 14.6% to 14.5%, which is still significantly higher than the 9.7% rate in 2007, prior to the economic downturn. Industrial market vacancy rates decreased to 1.1% in 2018 from 1.2% in 2017, which is lower than the 1.5% vacancy rate in 2007 prior to the economic downturn.

On June 23, 2017, the InterContinental hotel in the Wilshire Grand Center in Downtown Los Angeles opened after several years of construction. The 73-story, 1,100-foot tall structure, includes an InterContinental hotel, office space and condominiums, represents a $1.35 billion private investment in Downtown Los Angeles. In August 2017, the University of Southern California completed a $700 million mixed-use complex adjacent to its main campus, which is located just south of Downtown Los Angeles. The 1.2 million-square foot complex includes seven residential halls, a 30,000 square-foot fitness center, and is home to commercial tenants such as Trader Joes, Target and CVS. In November 2018, demolition began on the Grand, a $1 billion mixed use development project designed by Frank Gehry. Construction of the Grand, with 39 stories and more than 400 condos and apartments is expected to be completed by the fall of 2021.

GROSS PRODUCT

POPULATION LEVELS

TOTAL PERSONAL INCOME

TOTAL TAXABLE SALES

UNEMPLOYMENT RATES

AVERAGE ANNUAL EMPLOYMENT

SUMMARY OF AIRPORT AND PORT ACTIVITY

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

TOTAL TONNAGE OF MAJOR WEST COAST PORTS

TOTAL CONTAINER TRAFFIC AT MAJOR U.S. PORTS

REAL ESTATE AND CONSTRUCTION INDICATORS

BUILDING PERMITS AND VALUATIONS

LARGEST PRIVATE SECTOR EMPLOYERS

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

	2014	2015	2016	2017	2018
Los Angeles County	$665	$708	$732	$766	$807
State of California	2,397	2,557	2,665	2,798	2,952
United States	17,522	18,219	18,707	19,485	20,503
Los Angeles County as a % of California	27.7%	27.7%	27.5%	27.4%	27.3%

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

TABLE B: POPULATION LEVELS (in thousands)

	2014	2015	2016	2017	2018
Los Angeles County	10,088	10,150	10,180	10,231	10,284
State of California	38,569	38,912	39,180	39,501	39,810
Los Angeles County as a % of California	26.2%	26.1%	26.0%	25.9%	25.8%

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

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

	2014	2015	2016	2017	2018
Los Angeles County	$524,294	$559,934	$576,678	$598,223	$621,123
Orange County	237,117	258,655	263,991	277,852	291,224
San Diego County	170,486	180,715	186,796	195,669	204,490
Riverside and San Bernardino Counties	152,611	162,993	170,163	178,193	187,070
Ventura County	44,627	47,084	48,348	50,180	52,145
State of California	2,021,640	2,173,300	2,259,414	2,364,129	2,476,886
Los Angeles County as a % of California	25.9%	25.8%	25.5%	25.3%	25.1%

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

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

	2014	2015	2016	2017f	2018f
Los Angeles County	$147,447	$151,034	$154,208	$160,437	$164,799
State of California	615,822	633,884	649,079	664,124	679,518
Los Angeles County as a % of California	23.9%	23.8%	23.8%	24.2%	24.3%

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

TABLE E: UNEMPLOYMENT RATES

	2014	2015	2016	2017	2018
Los Angeles County	8.3%	6.6%	5.2%	4.7%	4.6%
State of California	7.5%	6.2%	5.5%	4.8%	4.2%
United States	6.2%	5.3%	4.9%	4.4%	3.9%

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

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

Non-Agricultural Wage and Salary Workers (in thousands)

Employment Sector	2014	2015	2016	2017	2018
Health Care & Social Assistance	610.2	629.9	650.8	675.9	699.8
Wholesale & Retail Trade	631.1	639.6	640.0	644.9	634.7
Government	531.9	549.8	561.9	568.2	580.4
Lesiure and Hospitality	464.6	484.5	506.3	520.6	533.1
Manufacturing	361.2	357.5	355.4	346.4	341.3
Professional Scientific & Technical Services	275.7	277.4	274.3	281.4	285.5
Administrative & Support & Waste Services	264.4	263.7	266.5	267.4	262.8
Transportation, Warehousing & Utilities	155.6	164.1	173.8	184.0	192.2
Other	173.0	180.4	182.8	178.5	188.6
Information	196.6	204.2	227.7	200.5	187.6
Construction	118.8	126.0	132.6	137.4	143.4
Finance & Insurance	132.1	133.2	136.8	136.1	135.6
Educational Services	104.7	97.8	97.9	100.4	103.8
Real Estate & Rental & Leasing	75.9	79.2	81.0	83.6	85.1
Management of Companies & Enterprises	58.8	57.4	56.3	56.6	59.1
Total	4,154.6	4,244.7	4,344.1	4,381.9	4,433.0

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

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

Type of Activity	2014	2015	2016	2017	2018
International Air Cargo (Tons)					
Los Angeles International Airport	1,176.3	1,284.7	1,336.3	1,476.7	1,557.6
As Percentage of Total Air Cargo	58.78%	60.24%	60.59%	61.80%	63.68%
Total Air Cargo (Tons)					
Los Angeles International Airport	2,001.2	2,132.5	2,205.3	2,389.5	2,446.1
Long Beach Airport	25.5	23.9	25.2	23.0	21.6
Hollywood Burbank Airport	56.3	54.8	53.3	54.4	56.5
Total	2,083.0	2,211.2	2,283.8	2,466.9	2,524.2
International Air Passengers					
Los Angeles International Airport	19,105.7	20,740.1	22,850.2	24,829.4	26,053.6
As Percentage of Total Passengers	27.04%	27.68%	28.24%	29.36%	29.76%
Total Air Passengers					
Los Angeles International Airport	70,662.2	74,936.3	80,921.5	84,558.0	87,534.4
Long Beach Airport	2,824.0	2,523.7	2,841.1	3,783.8	3,884.7
Hollywood Burbank Airport	3,861.2	3,943.6	4,142.9	4,739.5	4,739.5
Total	77,347.4	81,403.6	87,905.5	93,081.3	96,158.6
Container Volume (TEUs)					
Port of Los Angeles	8,340.1	8,160.5	8,856.8	9,343.2	9,458.7
Port of Long Beach	6,820.8	7,192.1	6,775.2	7,544.5	8,091.0
Total	15,160.9	15,352.6	15,632.0	16,887.7	17,549.7

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

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

Customs District	2013	2014	2015	2016	2017
Los Angeles, CA	$414,723	$417,974	$393,594	$397,972	$431,030
New York, NY	378,895	387,051	370,181	356,551	364,178
Laredo, TX	253,056	280,572	285,043	283,018	303,362
Detroit, MI	253,613	262,378	245,163	247,973	264,462
Chicago, IL	192,537	210,928	201,734	196,318	223,545
New Orleans, LA	235,038	234,341	199,245	193,507	217,542
Houston-Galveston, TX	251,731	252,440	195,403	161,392	192,048
Savannah, GA	129,526	141,954	148,723	143,810	155,762
Seattle, WA	143,993	152,700	154,755	147,338	149,264
Cleveland, OH	122,563	131,911	129,889	131,897	142,794

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

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

Port	2013	2014	2015	2016	2017
Los Angeles-Long Beach, CA	207,252	210,440	204,800	209,685	222,979
Tacoma, WA	31,861	34,936	34,149	38,153	34,697
Oakland, CA	30,906	30,540	29,020	31,100	31,388
Seattle, WA	18,104	14,422	14,906	15,134	17,848
Kalama, WA	9,304	9,725	12,080	14,241	14,070
Portland, OR	13,571	14,573	9,798	9,743	12,184
Port Hueneme	4,921	5,240	5,774	5,381	5,910
San Diego, CA	5,168	5,358	5,591	5,999	5,193
Vancouver, WA	2,001	2,855	3,014	2,748	2,866

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

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

Port	2013	2014	2015	2016	2017
Los Angeles-Long Beach, CA	14,599	15,161	15,353	16,888	17,550
New York-New Jersey, NY	5,467	5,772	6,372	6,252	6,711
Savannah, GA	3,034	3,346	3,737	3,645	4,046
Seattle-Tacoma, WA	3,456	3,394	3,529	3,616	3,702
Norfolk, VA	2,224	2,393	2,549	2,657	2,841
Houston, TX	1,950	1,951	2,131	2,183	2,459
Oakland, CA	2,347	2,394	2,278	2,370	2,421
Charleston, SC	1,601	1,792	1,973	1,996	2,176

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

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

Indicator	2014	2015	2016	2017	2018
1. Construction Lending (in millions)	$8,750	$9,711	$11,979	$13,619	$20,419
2. Residential Purchase Lending (in millions)	$31,441	$48,832	$53,362	$53,764	$48,170
3. New & Existing Median Home Prices	$458,677	$490,083	$521,558	$561,335	$598,368
4. New & Existing Home Sales	76,348	81,188	81,061	82,318	75,092
5. Notices of Default Recorded	17,883	17,422	13,802	11,402	9,726
6. Unsold New Housing (at year-end)	552	620	1,217	N/A*	N/A*
7. Office Market Vacancy Rates	14.9%	14.7%	14.1%	14.6%	14.5%
8. Industrial Market Vacancy Rates	1.5%	0.8%	0.8%	1.2%	1.1%

**2017 & 2018 data are unavailable.*

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

TABLE L: BUILDING PERMITS AND VALUATIONS

	2014	2015	2016	2017	2018
Residential Building Permits					
1. New Residential Permits (Units)					
a. Single Family	4,286	4,297	4,664	5,559	5,800
b. Multi-Family	14,595	18,638	15,272	16,451	16,765
Total Residential Building Permits	18,881	22,935	19,936	22,010	22,565
Building Valuations					
2. Residential Building Valuations (in millions of $)					
a. Single Family	$1,740	$1,868	$2,096	$2,376	$2,155
b. Multi-Family	2,310	2,877	2,765	3,173	3,162
c. Alterations and Additions	1,429	1,591	1,550	1,692	1,754
Residential Building Valuations Subtotal	$5,479	$6,336	$6,411	$7,241	$7,071
3. Non-Residential Building Valuations (in millions of $)					
a. Office Buildings	$269	$347	$345	$498	$426
b. Retail Buildings	829	472	541	688	770
c. Hotels and Motels	359	327	332	89	213
d. Industrial Buildings	122	85	154	132	91
e. Alterations and Additions	3,155	2,629	2,774	2,999	2,424
f. Other	1,507	1,025	618	876	1,724
Non-Residential Building Valuations Subtotal	$6,241	$4,885	$4,764	$5,282	$5,648
Total Building Valuations (in millions)	$11,720	$11,221	$11,175	$12,523	$12,719

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

TABLE M: LARGEST PRIVATE SECTOR EMPLOYERS IN LOS ANGELES COUNTY

	Company (in order of 2017 Ranking)	Industry	Headquarters	No. of Employees L.A. County	No. of Employees Total
1	Kaiser Permanente	Health Care Provider	Oakland, CA	37,468	277,123
2	University of Southern California	Education-Private University	Los Angeles, CA	21,055	21,457
3	Northrop Grumman Corp.	Aerospace/Defense Contractor	Falls Church, VA	16,600	67,000
4	Providence Health & Services	Health Care	Renton, WA	15,952	88,457
5	Target Corp.	Retailer	Minneapolis, MN	15,000	345,000
6	Ralphs/Food 4 Less (Kroger Co.)	Grocery Retailer	Cincinnati, OH	14,970	443,000
7	Cedars-Sinai Medical Center	Medical Center	Los Angeles, CA	14,903	14,934
8	Walt Disney Co.	Entertainment	Burbank, CA	13,000	199,000
9	Allied Universal	Security Professional and Safety Services	Santa Ana, CA/ Conshohocken, PA	12,879	160,000
10	NBCUniversal	Entertainment	New York, NY	12,000	N/A
11	AT&T Inc.	Telecommunications	Dallas, TX	11,500	249,000
12	Home Depot	Home Improvement Specialty Retailer	Atlanta, GA	11,200	400,000
13	Albertsons/Vons/Pavilions	Grocery Retailer	Boise, Idaho	10,200	275,000
14	UPS	Transportation and Freight	Atlanta, GA	9,553	N/A
15	California Institute of Technology	Private University and Jet Propulsion Lab	Pasadena, CA	8,697	9,706
16	Wells Fargo	Diversified Financial Services	San Francisco, CA	8,582	265,000
17	ABM Industries, Inc.	Facility Services, Janitorial, Parking	San Francisco, CA	8,000	140,000
18	FedEx Corp.	Shipping and Logistics	Memphis, TN	7,000	N/A
19	Bank of America Corp.	Banking and Financial Services	Charlotte, NC	6,572	209,000
20	Dignity Health	Hospitals	San Francisco, CA	6,200	60,000
21	Space Exploration Technologies Corp. (SpaceX)	Rockets and Spacecraft	Hawthorne, CA	6,000	N/A
22	City of Hope	Cancer Treatment and Research Center	Duarte, CA	5,950	6,051
23	Raytheon Co.	Aerospace/Defense Contractor	Waltham, MA	5,800	64,000
24	Children's Hospital Los Angeles	Hospital	Los Angeles, CA	5,735	5,735
25	Costco Wholesale	Membership Chain of Warehouse Stores	Issaquah, WA	5,445	231,000

N/A - Not Available
Source: Los Angeles Business Journal - The largest employers ranked by employees in L.A. County - The List, August 2018

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX B

THE COUNTY OF LOS ANGELES AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018

COUNTY OF LOS ANGELES, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
TABLE OF CONTENTS

Page

mgo Certified Public Accountants

Independent Auditor's Report

The Honorable Board of Supervisors
County of Los Angeles, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California (County), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/Additions
Aggregate discretely presented component units	100%	100%	100%
Aggregate remaining fund information	70%	73%	13%

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Los Angeles, California, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Fire Protection District, Flood Control District, County Library, Regional Park and Open Space District, and Mental Health Services Act for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, effective July 1, 2017, the County adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The implementation of the statement resulted in a restatement of net position as of July 1, 2017 in the amount of $9,451,237,000 and $1,994,180,000 for governmental activities and business-type activities, respectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 24, the schedule of the County's proportionate share of the net pension liability and related ratios, the schedule of County's pension contributions, the schedule of County's proportionate share of the net RHC OPEB liability, the schedule of County's RHC OPEB contributions and the schedule of changes in the total LTD OPEB liability and related ratios on pages 161 through 166 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Macias Gini & O'Connell LLP

Los Angeles, California
December 13, 2018

COUNTY OF LOS ANGELES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

This section of the County's Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of financial activities for the year ended June 30, 2018. We recommend that this information be used in conjunction with additional information contained in the letter of transmittal.

Financial Highlights

At the end of the current year, the net position (total assets and deferred outflows of resources, reduced by total liabilities and deferred inflows of resources) of the County was negative $13.518 billion. Net position is classified into three categories and the unrestricted component is negative $34.482 billion. During the current year, the County implemented Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (GASB 75). GASB 75 had a material effect on the County's beginning net position, which was restated and reduced by $11.445 billion. See further discussion in Notes 2 and 9 to the basic financial statements.

During the current year, the County's net position decreased by $935 million. Net position related to governmental activities decreased by $1.027 billion, while net position related to business-type activities increased by $92 million.

At the end of the current year, the County's General Fund reported a total fund balance of $3.895 billion. The fund balance categories and amounts consisted of nonspendable fund balance of $137 million, restricted fund balance of $77 million, committed fund balance of $705 million, assigned fund balance of $480 million, and $2.496 billion of unassigned fund balance.

The County's capital asset balances were $19.519 billion at year-end and decreased by $67 million during the year.

During the current year, the County's total long-term debt increased by $54 million. Newly issued and accreted long-term debt of $348 million were more than the long-term debt maturities of $294 million.

Overview of the Basic Financial Statements

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

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

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

- Discretely Presented Component Units - Component units are separate entities for which the County is financially accountable. The Community Development Commission and First 5 LA are displayed as discretely presented in the financial statements.

FUND FINANCIAL STATEMENTS

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $13.518 billion at the close of the most recent fiscal year.

Summary of Net Position
As of June 30, 2018 and 2017 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
		(1)		(1)		(1)
Current and other assets	$ 11,472,818	$ 10,670,204	$ 2,629,318	$ 2,523,199	$ 14,102,136	$ 13,193,403
Capital assets	16,271,623	16,427,686	3,247,254	3,157,869	19,518,877	19,585,555
Total assets	27,744,441	27,097,890	5,876,572	5,681,068	33,621,013	32,778,958
Deferred outflows of resources	4,387,213	3,139,442	793,005	539,905	5,180,218	3,679,347
Current and other liabilities	3,139,671	2,781,663	553,750	476,147	3,693,421	3,257,810
Long-term liabilities	37,194,272	26,753,872	8,549,718	6,532,381	45,743,990	33,286,253
Total liabilities	40,333,943	29,535,535	9,103,468	7,008,528	49,437,411	36,544,063
Deferred inflows of resources	2,447,435	873,620	434,369	178,415	2,881,804	1,052,035
Net position:						
Net investment in capital assets	14,984,847	15,165,318	2,320,256	2,305,050	17,305,103	17,470,368
Restricted	3,524,215	3,391,358	134,647	112,775	3,658,862	3,504,133
Unrestricted (deficit)	(29,158,786)	(18,728,499)	(5,323,163)	(3,383,795)	(34,481,949)	(22,112,294)
Total net position	$ (10,649,724)	$ (171,823)	$ (2,868,260)	$ (965,970)	$ (13,517,984)	$ (1,137,793)

(1) The 2017 amounts were not restated for GASB 75.

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

Current and Other Assets

Current and other assets increased by $803 million for governmental activities and by $106 million for business-type activities. For governmental activities, there was an increase of $567 million in pooled cash and investments, largely due to the improved cash position of the County's General Fund and the Mental Health Services Act (MHSA) Fund, which grew by $237 million and $164 million, respectively, over the prior year. In addition, other receivables increased by $167 million, as the County's General Fund and the Homeless and Housing Measure H nonmajor Special Revenue Fund were higher by $40 million and $102 million, respectively, over the prior year.

For business-type activities, current and other assets increased by $106 million. Hospital pooled cash and investments increased by $63 million over the prior year. In addition, the hospital accounts receivable were higher in the current year by $75 million.

Deferred Outflows of Resources

In the current year, the County's deferred outflows of resources were $5.180 billion. The deferred outflows of resources were $4.387 billion and $793 million for governmental and business-type activities, respectively. The total deferred outflows of resources amounts and net increases of $1.501 billion were almost all related to pension and OPEB. The total pension related deferred outflows increased by $544 million and $113 million for governmental and business-type activities, respectively, from the prior year. These amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion, as required by GASB 68. The current year implementation of GASB 75 added OPEB deferred outflows of resources of $845 million. OPEB deferred outflows of resources were $705 million and $140 million for governmental and business-type activities, respectively.

Liabilities

Current and other liabilities increased by $358 million for governmental activities. The largest component of this increase is $310 million for advances payable, largely due to higher advances for health, mental health, public protection and social services programs. In addition, accrued payroll was higher by $34 million due to increases in amounts owed for the year-end payroll accruals. For business-type activities, a net increase of $78 million in current and other liabilities was largely associated with increases in accounts payable for the hospitals.

Long-term liabilities increased by $10.440 billion for governmental activities and by $2.017 billion for business-type activities. Net OPEB liabilities significantly increased by $9.745 billion for governmental and $2.050 billion for business-type activities, respectively, as a result of GASB 75. Net pension liabilities increased in the current year by $391 million and $187 million for governmental and business-type activities, respectively. Liabilities were also higher for workers' compensation and compensated absences. Specific disclosures related to pension liabilities, OPEB liabilities, and other changes in long-term liabilities are discussed and referenced in Notes 8, 9, and 11 to the basic financial statements, respectively.

Deferred Inflows of Resources

In the current year, the County's deferred inflows of resources were $2.882 billion. Deferred inflows of resources were $2.447 billion and $434 million for governmental and business-type activities, respectively. The increase in deferred inflows of resources of $1.830 billion were almost all related to OPEB. The current year implementation of GASB 75 added OPEB deferred inflows of resources of $1.817 billion. OPEB deferred inflows of resources were $1.507 billion and $310 million for governmental and business-type activities, respectively. These amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion, as required by GASB 75. OPEB matters are discussed in more detail in Note 9 to the basic financial statements.

The total pension related deferred inflows increased by $16 million from the prior year. These amounts vary from year to year due to differences between projected and actual experience, assumption changes and changes in proportion, as required by GASB 68. Pension matters are discussed in more detail in Note 8 to the basic financial statements.

For service concession arrangements, there were also $87 million of deferred inflows of resources recognized in the current year, which represents a decrease of $3 million from the prior year. This amount represents the present value of installment payments associated with private operators of twenty County golf courses, as discussed in Note 7 to the basic financial statements.

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

Net Investment in Capital Assets

The largest portion of the County's net position, $17.305 billion, represents its investment in capital assets (i.e., land, buildings and improvements, infrastructure, software and equipment, net of related depreciation), less any related debt and related deferred outflows of resources used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position

The County's restricted net position at year-end was $3.659 billion. Asset restrictions are primarily due to external restrictions imposed by State legislation and bond covenants. Net position that pertains to the various separate legal entities included in the basic financial statements is also generally restricted because the entities' funding sources require that funds be used for specific purposes.

Unrestricted Net Position (Deficit)

The County's total unrestricted net position is negative $34.482 billion. Both governmental and business-type activities reported deficits in this category of $29.159 billion and $5.323 billion, respectively. OPEB related liabilities of $26.322 billion, along with pension liabilities totaling $10.850 billion, continued to be the most significant factors associated with the reported deficits.

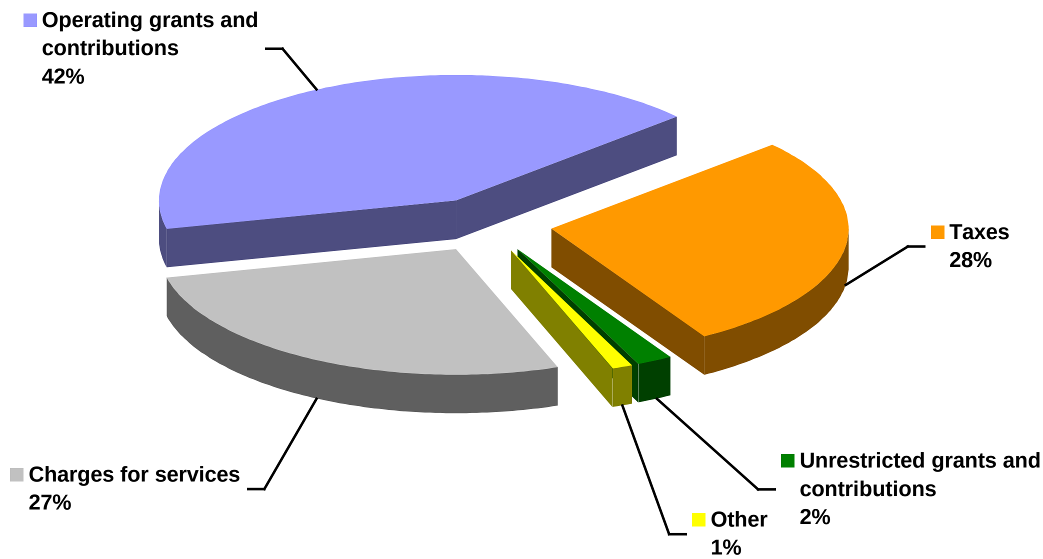
The following table details and identifies changes in net position for governmental and business-type activities:

Summary of Changes in Net Position
For the Years Ended June 30, 2018 and 2017
(in thousands)

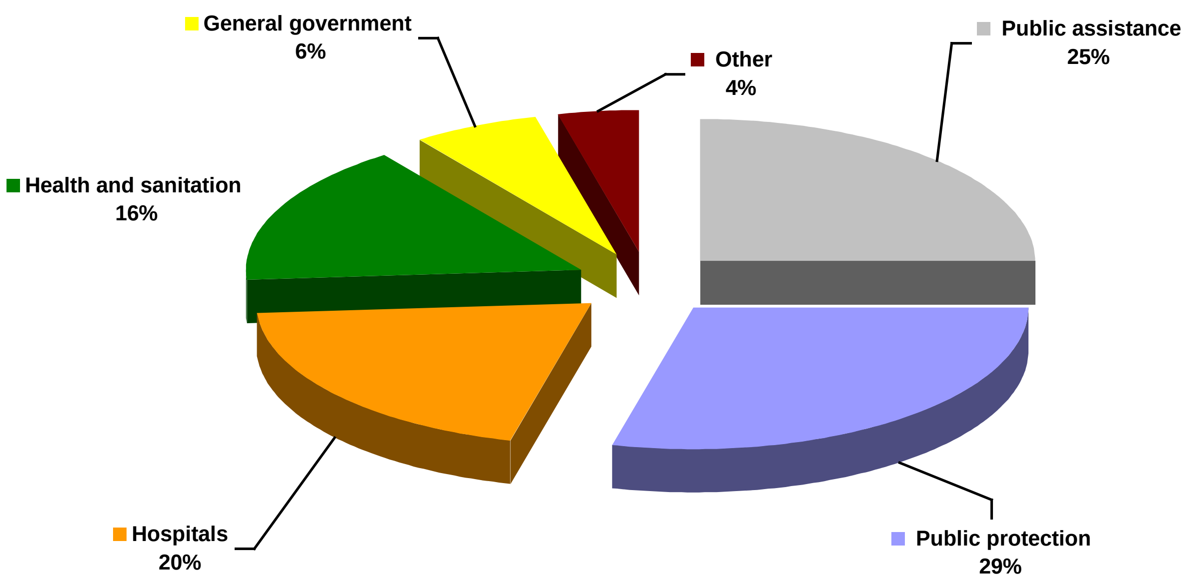
	Governmental Activities		Business-type Activities		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Revenues:		(1)		(1)		(1)
Program revenues:						
Charges for services	$ 2,861,290	$ 2,779,483	$ 4,155,049	$ 3,959,188	$ 7,016,339	$ 6,738,671
Operating grants and contributions	10,263,315	9,795,607	651,303	457,686	10,914,618	10,253,293
Capital grants and contributions	26,310	64,055	8,291	1,195	34,601	65,250
General revenues:						
Taxes	7,475,813	6,826,908	6,013	5,676	7,481,826	6,832,584
Unrestricted grants and contributions	433,799	428,435			433,799	428,435
Investment earnings	101,730	53,363	675	898	102,405	54,261
Miscellaneous	149,384	178,922	110	122	149,494	179,044
Total revenues	21,311,641	20,126,773	4,821,441	4,424,765	26,133,082	24,551,538
Expenses:						
General government	1,579,367	1,354,561			1,579,367	1,354,561
Public protection	7,841,468	7,532,191			7,841,468	7,532,191
Public ways and facilities	415,805	397,231			415,805	397,231
Health and sanitation	4,307,099	3,868,785			4,307,099	3,868,785
Public assistance	6,693,008	6,441,552			6,693,008	6,441,552
Education	160,097	127,901			160,097	127,901
Recreation and cultural services	487,173	276,625			487,173	276,625
Interest on long-term debt	106,425	104,899			106,425	104,899
Hospitals			5,370,965	4,990,891	5,370,965	4,990,891
Waterworks			95,301	90,517	95,301	90,517
Aviation			11,148	2,776	11,148	2,776
Total expenses	21,590,442	20,103,745	5,477,414	5,084,184	27,067,856	25,187,929
Excess (deficiency) before transfers	(278,801)	23,028	(655,973)	(659,419)	(934,774)	(636,391)
Transfers	(747,863)	(777,901)	747,863	777,901		
Changes in net position	(1,026,664)	(754,873)	91,890	118,482	(934,774)	(636,391)
Net position - beginning, as restated in 2018	(9,623,060)	583,050	(2,960,150)	(1,084,452)	(12,583,210)	(501,402)
Net position - ending	$ (10,649,724)	$ (171,823)	$ (2,868,260)	$ (965,970)	$ (13,517,984)	$ (1,137,793)

(1) The 2017 amounts were not restated for GASB 75.

REVENUES BY SOURCE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018



EXPENSES BY TYPE – ALL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018



Governmental Activities

Revenues from governmental activities increased by $1.185 billion (5.9%) when compared with the prior year. The most significant changes in specific revenue sources were experienced in the following areas:

- Program revenues recognized from operating grants and contributions increased by $468 million. For health and sanitation programs, there was net revenue growth of $156 million. New revenues of $112 million were associated with the Housing for Health and the Public Health Redesign and Incentives in Medi-Cal (PRIME) programs. State and federal funding for mental health programs grew by $108 million. Pursuant to Assembly Bill 85 (AB85), the County is subject to State withholding of revenues known as "1991 County Health Realignment Funds." The amounts withheld are based on an assumption that County healthcare costs for the indigent population will decrease. The funds will be reconciled and trued-up two years after the fiscal year in which the amounts were withheld. For the current year, there was a net decrease of $82 million from the State Health Realignment revenues for health services. Revenues for public assistance programs grew by $173 million as there were higher levels of administrative and program costs which are primarily funded from federal and State reimbursement.

- Taxes, the County's largest general revenue source, were $649 million higher than the prior year and were mostly attributable to increased property taxes and sales and use tax, which grew by $361 million and $276 million, respectively. The County's assessed property tax roll grew by 6.0% in the current year. Property tax revenues were also recognized in conjunction with the dissolution of redevelopment agencies. "Pass through" payments from redevelopment dissolution were $307 million and increased by $37 million from the prior year. Redevelopment dissolution also provides residual property taxes to local governments, including the County. The County's share of such residual tax revenues in the current year was $239 million, an increase of $26 million compared to the prior year. Revenues also grew by $260 million from the Homeless and Housing Measure H program sales and use taxes. This program began in the current year.

Expenses related to governmental activities increased by $1.487 billion (7.4%) during the current year. Salaries and employee benefits were $513 million higher than the prior year. There were general salary increases of 4% during the current year, which became effective for most employees at staggered effective dates through the fiscal year. In addition, non-salary expenses were also higher by $1.091 billion than the prior year. The non-salary increases were primarily in the recreation, health and sanitation, and public assistance categories. Recreation expenses were higher by $252 million and was associated with the capital assets adjustments made in the prior year. Health and sanitation expenses were higher by $249 million as operating and healthcare costs increased from the prior year. Public assistance expenses were higher by $238 million primarily from an increase in the costs for the homeless and housing assistance programs. Depreciation expense was $422 million in the current year, a decrease of $94 million from the prior year amount of $516 million.

Business-type Activities

Revenues from business-type activities for the current year were $4.821 billion, an increase of $397 million (9.0%) from the previous year. The most significant increase was in charges for services and operating grants and contributions for the County's hospitals, where revenue grew by $187 million and $191 million, respectively. As discussed in Note 14 to the basic financial statements, County hospital revenues are derived from a wide range of federal and State funding sources. Global Payment Program (GPP) and PRIME are components of the Medi-Cal Demonstration Project 2020, which provides federal funding to the County for health-care programs that shift the focus from hospital-based and inpatient care to outpatient, primary, and preventative care. The charges for services revenue increase was primarily attributable to the increase in GPP by $128 million from the prior year. The operating grants and contributions increase was from an increase in PRIME revenues by $45 million from the prior year and $139 million in new funding from the first year implementation of the Quality Incentives Program (QIP).

Expenses related to business-type activities increased from the previous year by a net total of $393 million (7.7%), and were associated primarily with the County's hospitals. Overall, hospital costs for salaries and employee benefits, services and supplies, and other professional services were higher in the current year by $74 million, $147 million, and $84 million, respectively. As previously discussed, salaries and employee benefits expenses were higher because of the general salary increases. Non-salary expenses were higher for deferred maintenance, medical supplies, and medical equipment purchases from the prior year. Intergovernmental transfer expenses that are required in order to be eligible for various hospital revenue sources were higher by $33 million. For all hospital facilities, the average patient census during the current year was 1,115 patients per day, which was slightly lower than the 1,157 for the prior year.

Financial Analysis of the County's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined total fund balances of $7.863 billion, an increase of $404 million in comparison with the prior year. Of the total fund balances, $153 million is nonspendable to indicate the extent that funds are not in spendable form or are required to remain intact. An additional $3.687 billion is classified as restricted, $827 million as committed, and $701 million as assigned. The remaining balance of $2.496 billion is classified as unassigned and is entirely associated with the General Fund.

Revenues from all governmental funds for the current year were $21.191 billion, an increase of $1.126 billion (5.6%) from the previous year. Expenditures for all governmental funds in the current year were $20.140 billion, an increase of $1.210 billion (6.4%) from the previous year. In addition, other financing uses were $647 million, a decrease of $94 million as compared to $741 million in the prior year.

Governmental Funds-Continued

The General Fund is the County's principal operating fund. During the current year, the fund balance in the General Fund increased by $244 million (6.7%). At the end of the current fiscal year, the General Fund's total fund balance was $3.895 billion. Of this amount, $137 million is classified as nonspendable, $77 million as restricted, $705 million as committed, $480 million as assigned and the remaining $2.496 billion is classified as unassigned.

General Fund revenues during the current year were $17.726 billion, an increase of $644 million (3.8%) from the previous year. General Fund expenditures during the current year were $17.532 billion, an increase of $959 million (5.8%) from the previous year. Other financing sources/uses-net was positive $50 million in the current year as compared to negative $242 million in the prior year.

Following are significant changes in General Fund revenues and expenditures:

- Revenues from taxes increased by $322 million and property taxes comprised $267 million of this increase which was primarily associated with growth in assessed property values. Residual property tax revenues, which are associated with redevelopment dissolution, were $202 million in the current year, or $17 million higher than the prior year. Property tax growth was also reflected in "pass through" property tax revenues, which were $29 million higher in the current year.

- Intergovernmental revenues increased by $354 million overall, and were primarily associated with State and federal revenue increases of $187 and $196 million, respectively. The State and federal revenue growth were primarily attributable to higher levels of reimbursable program and administrative costs in the children and family services programs of $165 million, mental health programs of $67 million, health services administration programs of $52 million, sheriff programs of $42 million, and public assistance programs of $22 million.

- Charges for services decreased by a total of $50 million. The Sheriff's department experienced a net decrease of $34 million of charges for services revenue resulting from the loss of a major contract with the Metropolitan Transportation Authority. The Registrar-Recorder provides election services and charges for services revenues decreased by $33 million due to a lower number of elections when compared to the prior year election cycle. The remaining variance was a net increase of $17 million from a variety of other programs.

Governmental Funds-Continued

- General fund expenditures increased by a total of $959 million, or 5.8%. Current expenditures increased by $951 million, and debt service and capital outlay expenditures increased by $8 million. The most significant increase in current expenditures was reflected in the health and sanitation programs, where expenditures grew by $536 million. This was primarily due to an increase of $262 million for mental health services and $234 million for a full year of jail medical services in the Department of Health Services. In addition, an increase of $127 million was from housing for health programs and $54 million for substance and abuse prevention and control services. Public assistance expenditures were higher by $225 million, of which $133 million was for salary and benefit increases and $105 million was for increased spending on public assistance payments, children and family assistance payments and the affordable housing program. Public protection program costs were higher by $72 million, of which $42 million and $27 million were associated with the departments of Probation and District Attorney, respectively. General government spending increased by $95 million and was associated with an increase of $86 million and $27 million for salary and benefit increases and costs associated with capital improvements, respectively, and a net decrease of $20 million associated with the Registrar-Recorder office.

The Fire Protection District reported a year-end fund balance of $176 million, which represented a decrease of $30 million from the previous year. The decrease in fund balance is due to an increase in a number of major incidents and emergencies during the fiscal year. Expenditures were higher by $100 million, which was related to an increase in salaries and employee benefit costs of $65 million and services and supplies of $11 million. This was offset by revenues that increased by $51 million, of which $40 million was related to property taxes and primarily associated with growth in assessed property values and $6 million was for charges for services.

The Flood Control District reported a year-end fund balance of $502 million, which was $33 million higher than the previous year. The increase in fund balance is primarily due to the full redemption of revenue bonds in the prior year. Current year revenues were lower by $20 million, primarily from charges for services, while expenditures were higher by $8 million, primarily related to an increase in expenditures for stormwater projects.

The County Library Fund, formerly referred to as the "Public Library," reported a year-end fund balance of $77 million, which was $3 million higher than the previous year. The increase in fund balance was primarily attributable to higher property tax revenues of $4 million from the prior year. Overall, revenue was higher by $18 million and expenditures were higher by $20 million.

The Regional Park and Open Space District reported a year-end fund balance of $320 million, which was $42 million higher than the previous year. On November 8, 2016, the voters approved the Safe, Clean Neighborhood Parks, Open Space, Beaches, Rivers Protection, and Water Conservation Measure A (Measure A) and it became effective in FY 2017-18. The increase in fund balance was primarily attributable to new revenues from Measure A. Measure A levied 1.5 cents annually per square foot of improved property and became effective in the current fiscal year. Current year revenues were higher by $97 million in charges for services from Measure A, while expenditures were higher by $21 million.

Governmental Funds-Continued

The Mental Health Services Act (MHSA) Special Revenue Fund reported a year-end fund balance of $1.051 billion, which was nearly the same as the previous year. Current year revenues were higher by $45 million, primarily from an increase in State revenues, while transfers out were higher by $185 million. Expenditures increased by $49 million primarily to fund affordable housing projects for mental health clients.

Proprietary Funds

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

The County is legally required to provide local matching funds to the health care system in order to remain eligible for federal and State assistance. Such funds were provided to the hospitals as operating subsidies from the County General Fund during the year as discussed in Note 15 to the basic financial statements. The amount of subsidy, per facility, ranged from $7 million for Rancho Los Amigos National Rehabilitation Center to $218 million for the Harbor-UCLA Medical Center. The total subsidy amount was $530 million and is reflected in the Statement of Revenues, Expenses and Changes in Fund Net Position as "transfers in." By comparison, the total General Fund subsidy in the prior year was $539 million. During the current year, the County's hospital operations experienced higher levels of patient care revenues and operating expenses in comparison to the prior year as previously discussed.

An additional source of local funding for the Hospitals is the Health Services Measure B Special Revenue Fund (Measure B Fund). The Measure B Fund receives voter approved property taxes for trauma and emergency services. In the current year, the Measure B Fund provided transfers to the LAC+USC Medical Center ($124 million), Harbor-UCLA Medical Center ($55 million), and Olive-View UCLA Medical Center ($29 million). The total current year amount of $209 million in Measure B transfers was nearly the same as the prior year amount of $211 million.

Waterworks Funds reported year-end net position of $800 million, which was $1 million lower than the previous year. There were no significant operational changes during the current year. Current year operating revenues for charges for services were higher by $10 million, operating expenses were higher by $5 million, and nonoperating revenue/(expenses) were higher by $3 million.

General Fund Budgetary Highlights

The accompanying basic financial statements include a Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual on Budgetary Basis for the County's General Fund. The County's budgetary basis of accounting is discussed in Notes 1 and 16 to the basic financial statements. There are approximately 100 separate budget units within the General Fund, excluding capital improvement projects, which are individually budgeted. The data presented below represents the net budgetary changes for the General Fund in a highly summarized format. Accordingly, in certain instances, budgets have been increased for programs within a category even though actual amounts have not been realized for the category in its entirety. Under the budgetary basis, there was a net decrease of $53 million in the General Fund's available (unassigned) fund balance from the previous year.

Budgetary Summary - Revenues/Financing Sources

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive (Negative)
Taxes	$ 28,238	$ 5,588,267	$ 5,666,093	$ 77,826
Intergovernmental revenues	(126,390)	10,661,050	9,662,782	(998,268)
Charges for services	(925)	1,796,571	1,873,464	76,893
All other revenues	28,949	589,848	639,324	49,476
Other sources and transfers in	55,305	943,620	723,655	(219,965)
Total	$ (14,823)	$ 19,579,356	$ 18,565,318	$ (1,014,038)

Changes from Amounts Originally Budgeted

During the year, net decreases in budgeted revenues and other financing sources were approximately $15 million. The most significant changes occurred in the following areas:

- Estimated intergovernmental revenues decreased by $126 million. The decrease is primarily attributable to the reduction of State Health Realignment estimated revenues of $224 million. Net additions of $60 million were made to augment federal funds budgeted for the PRIME program pursuant to the Medi-Cal 2020 Federal Waiver program in the health department. Also, an increase of $15 million was made to budgeted intergovernmental revenues associated with redevelopment dissolution successor agencies. There was also an increase of $11 million from State funds for the energy grant programs. Budgeted intergovernmental revenues for capital projects were increased by $7 million to reflect additional grant funding. There were other net increases to budgeted intergovernmental revenues of $5 million.

- The budget for "other sources and transfers in" increased by $55 million. Mental Health programs funded by the Mental Health Services Act Special Revenue Fund were increased by $31 million. Budgeted transfers in for capital projects were increased by $17 million from the nonmajor special revenue funds. There were net increases to budgeted "other sources and transfers in" of $7 million.

- The budgeted "all other revenues" increased by $29 million. Budgeted revenues were increased by $17 million for tobacco settlement revenues. The remaining increases of $12 million were associated with a wide variety of revenues.

Changes from Amounts Originally Budgeted-Continued

- The budget for tax revenues increased by $28 million. Of this increase, $24 million was associated with year-end budgetary changes that are designed to demonstrate compliance with legal provisions related to the appropriation of revenues from property taxes and certain other tax related revenues.

Actual Revenues/Financing Sources Compared with Final Budget Amounts

Actual revenues and other financing sources recognized by the General Fund were approximately $18.565 billion. This amount was $1.014 billion, or 5.2%, lower than budget. As discussed below, most of this variance was concentrated in the areas of intergovernmental revenues, "other sources and transfers in", taxes, and charges for services.

- Actual intergovernmental revenues were $998 million lower than the amount budgeted. Approximately $391 million was associated with social services and child and family programs, where reimbursable costs were lower than anticipated due to delays in hiring and promoting staff, reduced contractual spending for services and child care provider payments, and delays in implementing new systems. Health services and mental health programs accounted for approximately $193 million of this variance, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues. Budgeted intergovernmental revenues of $178 million were not realized for various capital improvements, disaster recovery programs and emergency preparedness projects, as these initiatives were not completed prior to year-end. Substance abuse and prevention control related programs experienced budgeted revenue shortfalls of $105 million, most of which was associated with federal and State grants and offset by a comparable amount of cost savings. The Office of Diversion and Re-entry budget under-realized $33 million related to reimbursable expenditures for housing subsidies. The Sheriff's and Probation Departments under-realized revenues of $32 million due to lower than expected reimbursement of salaries and services and supplies associated with federal and State programs. The remaining difference of $66 million was related to a variety of other programs.

- The actual amount of "other sources and transfers in" was $220 million lower than the amount budgeted. Of this amount, mental health programs funded by the Mental Health Services Act Special Revenue Fund did not fully materialize at the budgeted level and "transfers in" were $114 million lower than budgeted. In addition, "transfers in" totaling $38 million were assumed in the budget for capital improvements and extraordinary building maintenance projects, which did not incur expected costs. The "transfers in" for the housing for health program, funded by the nonmajor special revenue funds, was $22 million less than budgeted. Costs associated with Probation Department programs funded by the Other Public Protection Special Revenue Funds were $21 million less than budgeted. There were various other sources and transfers that comprised the remaining variance of $25 million.

- Actual taxes were $78 million higher than the amount budgeted. Property tax and documentary tax revenues were higher than budgeted by $58 million and $13 million, respectively. There were net increases of $7 million related to a variety of other taxes.

Actual Revenues/Financing Sources Compared with Final Budget Amounts-Continued

- Actual charges for services were $77 million higher than the amount budgeted. The increase was primarily attributable to revenues associated with the State Medi-Cal Demonstration Project Global Payment Program and services rendered to the County hospitals of $93 million. Net reductions include costs associated with public health programs related to substance abuse prevention control and children's medical services, which experienced lower than anticipated reimbursable costs and correspondingly lower than expected revenues of $10 million. There were net decreases of $6 million related to a variety of other programs.

Budgetary Summary - Expenditures/Other Financing Uses

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

Category	Increase (Decrease) From Original Budget	Final Budget Amount	Actual Amount	Variance-Positive
General government	$ (99,266)	$ 1,960,758	$ 1,229,282	$ 731,476
Public protection	60,912	5,805,187	5,641,810	163,377
Health and sanitation	(135,294)	4,673,696	4,293,726	379,970
Public assistance	218	7,043,766	6,315,574	728,192
All other expenditures	64,596	1,273,255	495,329	777,926
Transfers out	5,619	495,975	487,236	8,739
Contingencies	(15,431)	14,323		14,323
Fund balance changes-net	103,823	295,022	155,655	139,367
Total	$ (14,823)	$ 21,561,982	$ 18,618,612	$ 2,943,370

Changes from Amounts Originally Budgeted

During the year, net decreases in General Fund appropriations and fund balance component changes were approximately $15 million. The most significant changes occurred in the following areas:

- General government appropriations decreased by $99 million. Provisional appropriations decreased by $75 million and were transferred to other functional categories to fund capital projects, jail facilities and libraries of $8 million; public protection programs of $40 million; and to transfer $27 million of unspent User Utility Tax funds to obligated fund balance. In addition, $38 million shifted funds for extraordinary maintenance to capital projects. There were net increases of $14 million for other general governmental programs.

- Net fund balance budgetary changes of $104 million had the effect of reducing the available (unassigned) fund balance component. At the end of the year, the restricted fund balance increased by $56 million for utility users' taxes that were not expended and remained obligated for programs in unincorporated areas. Committed fund balance was increased by $30 million for reserve for rainy day funds and $12 million for Board Budget Policies and Priorities. The remaining variance of $6 million was attributable to various other fund balance accounts.

Changes from Amounts Originally Budgeted-Continued

- Health and sanitation appropriations decreased by $135 million. The health services administration budget provides central support to the County's hospitals. A decrease of $187 million appropriation was transferred from the health services administration budget to the County hospitals to fund operational expenditures for deferred maintenance, medical supplies, equipment, and other expenditures. This was offset by a $29 million increase in appropriation in intergovernmental transfers expenditures for the Medicaid Expansion programs and a $31 million increase for mental health programs. The remaining variance of $8 million was related to other health and sanitation programs.

- The category referred to as "all other expenditures" appropriations was increased by $65 million. An increase of $48 million was related to the capital outlay category for a variety of new capital improvement projects during the fiscal year. In addition, $17 million increase in appropriation was related to the recreation and cultural services programs.

Actual Expenditures/Other Financing Uses Compared with Final Budget Amount

Actual expenditures/other financing uses for the current year were $2.943 billion lower (13.7%) than the final total budget of $21.562 billion. There were budgetary savings in all functional expenditure categories. Following are the functional areas that recognized the largest variations from the final budget:

- The category referred to as "all other expenditures" reflected actual spending of $778 million less than the budgeted amount. Of this variance, $759 million was in the capital outlay category and related to numerous capital improvements anticipated in the budget that remained in the planning and development stages and did not incur expenditures during the year. Most of the unused balance has been reestablished in the following year's budget to ensure the continuity of the projects, many of which are multi-year in nature.

- The general government function reported actual expenditures that were $731 million less than the amount budgeted. Of this amount, $539 million represented budgetary savings for items that are not associated with specific County departments, such as provisional appropriations and central non-departmental appropriations. Salaries and employee benefits savings of $63 million were due to hiring delays and vacancies. The County's real estate budget had budgetary savings of $19 million due to lower than anticipated costs associated with various properties. The remaining $110 million was spread across County departments comprising general government and was mostly related to savings in the areas of services and supplies.

- Actual public assistance expenditures were $728 million lower than the final budget. Salaries and employee benefits savings of $143 million were due to hiring delays and vacancies. Vendor and assistance payments for social services and children and family programs were lower than budgeted by $519 million. Administrative cost savings in these areas were due to lower than anticipated costs for professional, contracted, and information technology services and delays in hiring. There were also direct program savings associated with lower than anticipated caseloads. There were $49 million of savings related to homeless and housing programs due to delays in carrying out multi-year projects. The remaining variance of $17 million was related to other public assistance programs.

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

- Overall expenditures for the health and sanitation category were $380 million less than the budgeted amount. Of this amount, $342 million primarily related to salaries and employee benefits savings and lower than anticipated costs for contracted services. Specifically, the budgetary savings of $173 million was from mental health programs, $106 million from substance abuse programs, $40 million from public health programs, and $23 million from health correctional facilities. The remaining variance of $38 million was due to lower than expected services and supplies and contracted costs related to other health and sanitation programs.

Capital Assets

The County's capital assets for its governmental and business-type activities as of June 30, 2018 were $19.519 billion (net of depreciation). Capital assets include land, easements, buildings and improvements, equipment, software, and infrastructure. The major infrastructure network elements are roads, sewers, water, flood control, and aviation. Specific capital asset changes during the current year are presented in Note 6 to the basic financial statements.

The total decrease in the County's capital assets (net of depreciation) for the current fiscal year was $67 million as shown in the following table.

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

	Current Year	Prior Year	Increase (Decrease)
Land and easements	$ 7,595,597	$ 7,547,098	$ 48,499
Buildings and improvements	5,531,749	5,544,109	(12,360)
Infrastructure	4,421,159	4,536,386	(115,227)
Equipment	645,853	559,203	86,650
Software	275,010	431,623	(156,613)
Capital assets, in progress	1,049,509	967,136	82,373
Total	$ 19,518,877	$ 19,585,555	$ (66,678)

The most significant decrease in capital assets was in software, which decreased by $157 million. On August 8, 2017, the County became a member of the California Consortium Eligibility System (CalACES) Joint Powers Authority to govern and administer technology projects and operations for automating public assistance programs. When the County joined CalACES, the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) Replacement System (LRS), with a net book value of $153 million, was also transferred.

Capital assets, in progress increased by $82 million. The County's major capital asset initiatives during the current year continued to focus on new facilities and major improvements. For governmental activities, the major capital asset projects were for public protection of $37 million, health and sanitation of $41 million, and recreation and cultural services of $46 million. The governmental activities major projects included the Sheriff Men's Central Jail replacement facility, the Vermont Corridor project, the Music Center Plaza renovation, and various mental and health facilities. For business-type activities, major construction-in-progress was $84 million at the Rancho Los Amigos National Rehabilitation Center for various projects, including seismic retrofit and new outpatient facilities projects. There were also $25 million of capitalized construction-in-progress costs for the Martin Luther King, Jr. New Parking Structure Project. In addition, there was also a decrease in buildings and improvements primarily due to the disposition of the Edelman Children's Court, with a net book value of $23 million, to the State of California. Furthermore, land and easements increased by $49 primarily from a $24 million acquisition of a parking lot to meet the Sheriff's Department and Department of Health Services parking needs at the Men's Central Jail, Twin Towers Correctional Facility, and Inmate Reception Center and a $13 million acquisition of two helipads to support the Fire Department. As of June 30, 2018, there were $43 million of capital asset commitments outstanding.

Debt Administration

During the current year, the County's liabilities for long-term debt, including accreted interest, increased by $54 million, as newly issued debt and accretions of $348 million were more than the debt maturities of $294 million. Specific changes related to governmental and business-type activities are presented in Note 11 to the basic financial statements.

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

- Lease Revenue Obligation Notes (LRON) of $325 million were issued for governmental and business-type activities in the amounts of $75 million and $249 million, respectively. For governmental activities, debt was issued to finance a new animal care facility, fire station, museum of art building and to renovate the Music Center Plaza. For business-type activities, debt was issued to finance hospital improvements.

- New debt of $20 million was issued to finance the acquisition of equipment for governmental activities. Equipment debt totaling $21 million was redeemed during the year in accordance with maturity schedules.

In addition to the above borrowing, the County continued to finance General Fund cash flow shortages occurring periodically during the fiscal year by selling $800 million in tax and revenue anticipation notes. The notes matured and were redeemed on June 29, 2018. The General Fund also relied upon periodic borrowing from available agency funds.

Bond Ratings

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

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

The County's bond ratings assigned by Fitch for General Obligation Bonds were upgraded from the previous year.

Economic Conditions and Outlook

The Board of Supervisors adopted the County's 2018-2019 Budget on June 25, 2018. The Budget was adopted based on estimated fund balances that would be available at the end of 2017-2018. The Board updated the Budget on October 2, 2018 to reflect final 2017-2018 fund balances and other pertinent financial information. For the County's General Fund, the 2018-2019 Budget utilized $1.929 billion of fund balance, which exceeded the previously estimated fund balance of $1.728 billion. Of the additional fund balance of $201 million, $160 million was used to carryover lapsed appropriations and ensure the continuity of funded program initiatives. The remaining $41 million was primarily used to fund $26 million for capital improvement projects, $8 million for library services, and $7 million to augment the County's "Rainy Day Reserve," and various other program initiatives.

The County's 2018-2019 Budget reflects the County's ongoing determination to confront our region's most difficult social challenges while building a foundation for future progress through a wide array of proven programs and services. The County's budget continues to champion the County's long history of responsible, sustainable fiscal practices. The budget addresses the key priorities of the Board of Supervisors, providing funding to fight homelessness, to enrich the lives of children, to expand health services, to create jobs and to invest in criminal justice reforms that prioritize individual potential and maintain the safety of our neighborhoods. The County's budget also anticipates uncertainty with budget proposals from both the federal and State governments that could create significant short and long-term budget challenges for the County.

The County's budget outlook, while favorable, continues to be influenced by the fiscal condition and outlook of the State of California. In this regard, the State Legislative Analyst's Office (LAO) reports a positive short-term outlook with a healthy surplus through the end of FY 2019-2020. The State budget's condition is in good shape. The State can use the surplus to increase their reserves or make new one-time and /or ongoing budget commitments. For the longer term, the State's outlook is subject to either continuing economic growth or a recession beginning in FY 2020-21. With a continuing growing economy, the operating surplus will increase, but will decline over time. In the recession scenario, the State has enough reserve to cover its deficit for the outlook period. Health and human services programs are subject to considerable challenges and uncertainty as the State depends on information from the federal government or State executive branch.

The County receives substantial federal revenues and operates many programs which are subject to federal rules and regulations. Federal assistance is especially critical to the County's ability to operate its four County hospitals and health care network. The County is carefully monitoring State and federal policy developments to determine the future impacts, if any, on its ability to administer federal programs and deliver County services that rely upon federal funding.

On November 6, 2018, the voters of Los Angeles County successfully passed a ballot measure (Measure W) to establish the region's public health and safe, clean water program and establish a parcel tax of 2.5 cents per square foot of impermeable area. Measure W is estimated to generate $300 million in annual revenue effective in FY 2019-20.

Obtaining Additional Information

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

BASIC FINANCIAL STATEMENTS

BASIC FINANCIAL STATEMENTS

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
JUNE 30, 2018 (in thousands)

	PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 6,416,533	179,546	$ 6,596,079	$ 460,755
Other	2,222,962	27,867	2,250,829	
Total pooled cash and investments	8,639,495	207,413	8,846,908	460,755
Other investments (Note 5)	53,083		53,083	353,973
Taxes receivable	243,893	717	244,610	
Accounts receivable - net (Note 14)		2,241,400	2,241,400	24,088
Interest receivable	32,322	470	32,792	767
Other receivables	2,267,215	208,362	2,475,577	30,266
Internal balances (Note 15)	155,730	(155,730)		
Inventories	75,406	27,526	102,932	9,731
Restricted assets (Note 5)	5,674	99,160	104,834	
Capital assets: (Notes 6 and 10)				
Capital assets, not being depreciated	8,069,249	575,857	8,645,106	99,367
Capital assets, net of accumulated depreciation	8,202,374	2,671,397	10,873,771	84,037
Total capital assets	16,271,623	3,247,254	19,518,877	183,404
TOTAL ASSETS	27,744,441	5,876,572	33,621,013	1,062,984
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	4,387,213	793,005	5,180,218	27,652
LIABILITIES				
Accounts payable	659,520	408,280	1,067,800	43,464
Accrued payroll	490,083	104,344	594,427	
Other payables	117,770	12,841	130,611	7,279
Accrued interest payable	18,475	18,879	37,354	
Advances payable	1,853,823	9,406	1,863,229	10,482
Long-term liabilities: (Note 11)				
Due within one year	834,734	621,147	1,455,881	5,526
Due in more than one year	36,359,538	7,928,571	44,288,109	95,926
TOTAL LIABILITIES	40,333,943	9,103,468	49,437,411	162,677
DEFERRED INFLOWS OF RESOURCES (Note 20)	2,447,435	434,369	2,881,804	10,801
NET POSITION				
Net investment in capital assets	14,984,847	2,320,256	17,305,103	140,305
Restricted for:				
Capital projects	44,899		44,899	
Debt service	288,344	22,910	311,254	332
Permanent funds - nonspendable	2,155		2,155	
Permanent funds - spendable	113		113	
General government	136,890		136,890	
Public protection	1,011,275		1,011,275	
Public ways and facilities	343,552	111,737	455,289	
Health and sanitation	1,273,882		1,273,882	
Recreation	323,530		323,530	
Community development				351,671
First 5 LA				379,019
Other	99,575		99,575	
Unrestricted (deficit)	(29,158,786)	(5,323,163)	(34,481,949)	45,831
TOTAL NET POSITION (DEFICIT) (Note 3)	$ (10,649,724)	(2,868,260)	$ (13,517,984)	$ 917,158

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

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

		PROGRAM REVENUES		
FUNCTIONS PRIMARY GOVERNMENT:	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental activities:				
General government	$ 1,579,367	530,893	38,957	4,456
Public protection	7,841,468	1,263,462	1,646,681	6,099
Public ways and facilities	415,805	27,837	213,749	9,188
Health and sanitation	4,307,099	762,326	2,868,011	782
Public assistance	6,693,008	11,131	5,492,766	
Education	160,097	14,481	79	
Recreation and cultural services	487,173	251,160	3,072	5,785
Interest on long-term debt	106,425			
Total governmental activities	21,590,442	2,861,290	10,263,315	26,310
Business-type activities:				
Hospitals	5,370,965	4,064,523	648,602	
Waterworks	95,301	85,664	2,675	
Aviation	11,148	4,862	26	8,291
Total business-type activities	5,477,414	4,155,049	651,303	8,291
Total primary government	$ 27,067,856	7,016,339	10,914,618	34,601
DISCRETELY PRESENTED COMPONENT UNITS	$ 575,724	26,770	562,340	3,161

GENERAL REVENUES:
Taxes:
Property taxes
Utility users taxes
Voter approved taxes
Documentary transfer taxes
Other taxes
Sales and use taxes, levied by the State
Grants and contributions not restricted to special programs
Investment income
Miscellaneous
TRANSFERS - NET
Total general revenues and transfers
CHANGE IN NET POSITION
NET POSITION (DEFICIT), JULY 1, 2017, AS RESTATED (Note 2)
NET POSITION (DEFICIT), JUNE 30, 2018

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

NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION				
PRIMARY GOVERNMENT			DISCRETELY PRESENTED COMPONENT UNITS	
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL		FUNCTIONS
				PRIMARY GOVERNMENT:
				Governmental activities:
$ (1,005,061)		$ (1,005,061)		General government
(4,925,226)		(4,925,226)		Public protection
(165,031)		(165,031)		Public ways and facilities
(675,980)		(675,980)		Health and sanitation
(1,189,111)		(1,189,111)		Public assistance
(145,537)		(145,537)		Education
(227,156)		(227,156)		Recreation and cultural services
(106,425)		(106,425)		Interest on long-term debt
(8,439,527)		(8,439,527)		Total governmental activities
				Business-type activities:
	(657,840)	(657,840)		Hospitals
	(6,962)	(6,962)		Waterworks
	2,031	2,031		Aviation
	(662,771)	(662,771)		Total business-type activities
(8,439,527)	(662,771)	(9,102,298)		Total primary government
			$ 16,547	DISCRETELY PRESENTED COMPONENT UNITS
				GENERAL REVENUES:
				Taxes:
6,527,329	6,013	6,533,342		Property taxes
46,132		46,132		Utility users taxes
368,979		368,979		Voter approved taxes
104,872		104,872		Documentary transfer taxes
38,607		38,607		Other taxes
389,894		389,894		Sales and use taxes, levied by the State
433,799		433,799		Grants and contributions not restricted to special programs
101,730	675	102,405	4,634	Investment income
149,384	110	149,494	2,319	Miscellaneous
(747,863)	747,863			TRANSFERS - NET
7,412,863	754,661	8,167,524	6,953	Total general revenues and transfers
(1,026,664)	91,890	(934,774)	23,500	CHANGE IN NET POSITION
(9,623,060)	(2,960,150)	(12,583,210)	893,658	NET POSITION (DEFICIT), JULY 1, 2017, AS RESTATED (Note 2)
$ (10,649,724)	(2,868,260)	$ (13,517,984)	$ 917,158	NET POSITION (DEFICIT), JUNE 30, 2018

COUNTY OF LOS ANGELES
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	COUNTY LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
ASSETS					
Pooled cash and investments: (Notes 1 and 5)					
Operating	$ 2,283,053	135,004	570,526	66,971	321,125
Other	2,103,333	35,166	6,315	2,874	3,806
Total pooled cash and investments	4,386,386	170,170	576,841	69,845	324,931
Other investments (Notes 4 and 5)	4,241			117	
Taxes receivable	173,423	39,390	11,813	6,078	2,225
Interest receivable	21,981	365	1,423	219	844
Other receivables	1,947,886	50,181	2,941	1,993	3,697
Due from other funds (Note 15)	665,194	2,339	15,119	15,195	
Advances to other funds (Note 15)	124,840		6,466		
Inventories	52,964	13,382	1	440	
TOTAL ASSETS	7,376,915	275,827	614,604	93,887	331,697
DEFERRED OUTFLOWS OF RESOURCES (Note 20)					
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 7,376,915	275,827	614,604	93,887	331,697
LIABILITIES					
Accounts payable	$ 540,193	6,189	6,643	2,730	1,515
Accrued payroll	422,519	42,777		4,439	
Other payables	111,361	2,916	3	597	
Due to other funds (Note 15)	208,100	16,822	31,347	4,304	6,652
Advances payable	1,732,965		66,042		
Third party payor (Notes 11 and 14)	39,690				
TOTAL LIABILITIES	3,054,828	68,704	104,035	12,070	8,167
DEFERRED INFLOWS OF RESOURCES (Note 20)	426,896	31,468	8,177	4,404	3,504
FUND BALANCES (Note 21)					
Nonspendable	136,890	13,382	1	440	
Restricted	77,406	162,273	502,292	17,614	320,026
Committed	704,954				
Assigned	480,065		99	59,359	
Unassigned	2,495,876				
TOTAL FUND BALANCES	3,895,191	175,655	502,392	77,413	320,026
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 7,376,915	275,827	614,604	93,887	331,697

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

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				ASSETS
				Pooled cash and investments: (Notes 1 and 5)
$ 1,274,517	1,723,084		$ 6,374,280	Operating
2,459	61,785		2,215,738	Other
1,276,976	1,784,869		8,590,018	Total pooled cash and investments
	75,300	(26,575)	53,083	Other investments (Notes 4 and 5)
	10,964		243,893	Taxes receivable
3,223	4,002		32,057	Interest receivable
	149,052		2,155,750	Other receivables
1,623	45,075		744,545	Due from other funds (Note 15)
	11,323		142,629	Advances to other funds (Note 15)
	1		66,788	Inventories
1,281,822	2,080,586	(26,575)	12,028,763	TOTAL ASSETS
	222,747		222,747	DEFERRED OUTFLOWS OF RESOURCES (Note 20)
$ 1,281,822	2,303,333	(26,575)	$ 12,251,510	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES
				LIABILITIES
$	93,322		$ 650,592	Accounts payable
	90		469,825	Accrued payroll
	1		114,878	Other payables
230,933	271,318		769,476	Due to other funds (Note 15)
	53,128		1,852,135	Advances payable
	246		39,936	Third party payor (Notes 11 and 14)
230,933	418,105		3,896,842	TOTAL LIABILITIES
	16,914		491,363	DEFERRED INFLOWS OF RESOURCES (Note 20)
				FUND BALANCES (Note 21)
	2,156		152,869	Nonspendable
1,050,889	1,582,651	(26,575)	3,686,576	Restricted
	122,379		827,333	Committed
	161,128		700,651	Assigned
			2,495,876	Unassigned
1,050,889	1,868,314	(26,575)	7,863,305	TOTAL FUND BALANCES
$ 1,281,822	2,303,333	(26,575)	$ 12,251,510	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

JUNE 30, 2018 (in thousands)

Fund balances - total governmental funds (page 29)		$ 7,863,305
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not reported in governmental funds:		
Land and easements	$ 7,410,961	
Construction-in-progress	658,288	
Buildings and improvements - net	3,671,174	
Equipment - net	371,377	
Intangible software - net	255,068	
Infrastructure - net	3,777,352	16,144,220
Deferred outflows and inflows of resources reported in the statement of net position, but not recognized in the governmental funds:		
Deferred outflows from losses on refunding of debt	$ 15,928	
Deferred outflows from OPEB	680,394	
Deferred outflows from pension	3,530,358	
Deferred inflows from service concession arrangements	(86,627)	
Deferred inflows from OPEB	(1,436,621)	
Deferred inflows from pension	(821,969)	1,881,463
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues when earned in governmental activities:		
Deferred inflows from property taxes	$ 170,034	
Deferred inflows from long-term receivables	98,582	268,616
Other long-term asset transactions are not available for the current period and are not recognized in governmental funds:		
Payables and receivables related to capital assets	$ 14,748	
Accrued interest on long-term receivables	143	14,891
Installment receivables from service concession arrangements.		86,627
Accrued interest payable is not recognized in governmental funds.		(18,229)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds and notes	$ (1,346,275)	
Unamortized premiums on bonds and notes	(82,158)	
Accreted interest on bonds and notes	(152,040)	
Capital lease obligations	(162,606)	
Accrued compensated absences	(1,498,146)	
Workers' compensation	(2,453,332)	
Litigation and self-insurance	(207,723)	
Pollution remediation obligations	(46,022)	
Net pension liability	(8,879,131)	
Net OPEB liability	(20,880,890)	
Third party payor liability	(14,370)	(35,722,693)
Assets and liabilities of certain internal service funds are included in governmental activities in the accompanying statement of net position.		(1,167,924)
Net position of governmental activities (page 25)		$(10,649,724)

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	GENERAL FUND	FIRE PROTECTION DISTRICT	FLOOD CONTROL DISTRICT	COUNTY LIBRARY	REGIONAL PARK AND OPEN SPACE DISTRICT
REVENUES					
Taxes	$ 5,655,160	852,602	144,822	91,650	
Licenses, permits and franchises	61,198	16,371	1,042		
Fines, forfeitures and penalties	175,827	2,347	850	330	422
Revenue from use of money and property:					
Investment income (Note 5)	74,490	619	3,679	765	1,957
Rents and concessions (Note 10)	114,825	100	5,439	15	
Royalties	84		716		
Intergovernmental revenues:					
Federal	3,870,108	14,651	6,987		
State	5,825,509	14,742	5,812	490	
Other	35,314	1,178	622	525	
Charges for services	1,751,140	219,219	104,036	13,862	111,487
Miscellaneous	162,610	3,406	1,806	2,385	
TOTAL REVENUES	17,726,265	1,125,235	275,811	110,022	113,866
EXPENDITURES					
Current:					
General government	1,253,758				
Public protection	5,618,266	1,173,214	240,968		
Public ways and facilities					
Health and sanitation	3,996,450				
Public assistance	6,260,375				
Education				149,950	
Recreation and cultural services	364,316				72,232
Debt service:					
Principal	7,347	533		27	
Interest and other charges	26,212	8		29	
Capital outlay	5,161	12,500			
TOTAL EXPENDITURES	17,531,885	1,186,255	240,968	150,006	72,232
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	194,380	(61,020)	34,843	(39,984)	41,634
OTHER FINANCING SOURCES (USES)					
Transfers in (Note 15)	727,568	23,532		46,294	
Transfers out (Note 15)	(684,390)	(5,560)	(2,807)	(3,133)	
Issuance of debt (Note 11)					
Capital leases (Note 10)	5,161	12,500			
Sales of capital assets	1,499	265	1,157	12	
TOTAL OTHER FINANCING SOURCES (USES)	49,838	30,737	(1,650)	43,173	
NET CHANGE IN FUND BALANCES	244,218	(30,283)	33,193	3,189	41,634
FUND BALANCES, JULY 1, 2017	3,650,973	205,938	469,199	74,224	278,392
FUND BALANCES, JUNE 30, 2018	$ 3,895,191	175,655	502,392	77,413	320,026

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

MENTAL HEALTH SERVICES ACT	NONMAJOR GOVERNMENTAL FUNDS	ELIMINATIONS (NOTE 4)	TOTAL GOVERNMENTAL FUNDS	
				REVENUES
$	636,216		$ 7,380,450	Taxes
	20,189		98,800	Licenses, permits and franchises
	42,296		222,072	Fines, forfeitures and penalties
				Revenue from use of money and property:
8,960	13,352	(1,692)	102,130	Investment income (Note 5)
	29,044		149,423	Rents and concessions (Note 10)
	4		804	Royalties
				Intergovernmental revenues:
	35,007		3,926,753	Federal
561,599	242,883		6,651,035	State
	16,319		53,958	Other
	175,716		2,375,460	Charges for services
	60,139		230,346	Miscellaneous
570,559	1,271,165	(1,692)	21,191,231	TOTAL REVENUES
				EXPENDITURES
				Current:
	20,473		1,274,231	General government
	70,564		7,103,012	Public protection
	347,713		347,713	Public ways and facilities
52,010	127,820		4,176,280	Health and sanitation
	109,093		6,369,468	Public assistance
	82		150,032	Education
	11,298		447,846	Recreation and cultural services
				Debt service:
	95,496	(12,320)	91,083	Principal
	86,622	(1,692)	111,179	Interest and other charges
	51,985		69,646	Capital outlay
52,010	921,146	(14,012)	20,140,490	TOTAL EXPENDITURES
518,549	350,019	12,320	1,050,741	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES
				OTHER FINANCING SOURCES (USES)
	129,816		927,210	Transfers in (Note 15)
(518,652)	(456,277)		(1,670,819)	Transfers out (Note 15)
	75,489		75,489	Issuance of debt (Note 11)
			17,661	Capital leases (Note 10)
	328		3,261	Sales of capital assets
(518,652)	(250,644)		(647,198)	TOTAL OTHER FINANCING SOURCES (USES)
(103)	99,375	12,320	403,543	NET CHANGE IN FUND BALANCES
1,050,992	1,768,939	(38,895)	7,459,762	FUND BALANCES, JULY 1, 2017
$ 1,050,889	1,868,314	(26,575)	$ 7,863,305	FUND BALANCES, JUNE 30, 2018

COUNTY OF LOS ANGELES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

Net change in fund balances - total governmental funds (page 33)		$ 403,543
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Expenditures for general capital assets, infrastructure and other related capital asset adjustments	$ 233,447	
Less - current year depreciation expense	(388,386)	(154,939)
In the statement of activities, only the gain or loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale are reported as an increase in financial resources. Thus, the change in net position differs from the change in fund balance.		(2,619)
Contribution of capital assets is not recognized in the governmental funds.		21,854
Amortization of losses on refunding of debt are reported as changes to deferred outflows of resources in governmental activities, but not reported for governmental funds.		(1,432)
Changes in unavailable revenues are reported as changes in deferred inflows of resources for governmental funds, but were recognized when earned for governmental activities.		24,467
Timing differences result in more or less revenues and expenses in the statement of activities.		
Change in accrued interest on long-term receivables	$ 40	
Change in unamortized premiums	1,688	1,728
Issuance of long-term debt provides resources in the governmental funds, but increases long-term liabilities in the statement of net position.		(93,150)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position:		
Certificates of participation and bonds	$ 36,214	
Notes, loans, and lease revenue obligation notes	34,642	
Assessment bonds	12,320	
Other long-term notes, loans and capital leases	7,907	91,083
Some expenses reported in the accompanying statement of activities do not require (or provide) the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in workers' compensation	$ (196,983)	
Change in litigation and self-insurance	4,817	
Change in pollution remediation obligations	(23,941)	
Change in accrued compensated absences	(91,476)	
Change in net pension liability, net of related deferred outflows of resources and deferred inflows of resources	85,283	
Change in net OPEB liability, net of related deferred outflows of resources and deferred inflows of resources	(1,050,819)	
Change in third party payor liability	4,837	
Change in accrued interest payable	108	
Change in accretion of bonds and notes	10,103	
Change in accretion of tobacco settlement bonds	(3,384)	
Transfer of capital assets from governmental fund to enterprise fund	(76)	(1,261,531)
The portion of internal service funds that is reported with governmental activities.		(55,668)
Change in net position of governmental activities (page 27)		$ (1,026,664)

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 5,560,029	5,588,267	5,666,093	77,826
Licenses, permits and franchises	57,678	57,678	61,198	3,520
Fines, forfeitures and penalties	186,601	186,601	175,827	(10,774)
Revenue from use of money and property:				
Investment income	59,051	59,982	124,560	64,578
Rents and concessions	125,579	129,045	114,825	(14,220)
Royalties	70	70	84	14
Intergovernmental revenues:				
Federal	4,516,385	4,571,335	3,809,229	(762,106)
State	6,242,716	6,032,459	5,819,171	(213,288)
Other	28,339	57,256	34,382	(22,874)
Charges for services	1,797,496	1,796,571	1,873,464	76,893
Miscellaneous	131,920	156,472	162,830	6,358
TOTAL REVENUES	18,705,864	18,635,736	17,841,663	(794,073)
EXPENDITURES				
Current:				
General government	2,060,024	1,960,758	1,229,282	731,476
Public protection	5,744,275	5,805,187	5,641,810	163,377
Health and sanitation	4,808,990	4,673,696	4,293,726	379,970
Public assistance	7,043,548	7,043,766	6,315,574	728,192
Recreation and cultural services	371,538	388,327	368,999	19,328
Debt service-				
Interest	8,457	8,457	8,457	
Capital outlay	828,664	876,471	117,873	758,598
TOTAL EXPENDITURES	20,865,496	20,756,662	17,975,721	2,780,941
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,159,632)	(2,120,926)	(134,058)	1,986,868
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	388	388	1,499	1,111
Transfers in	887,927	943,232	722,156	(221,076)
Transfers out	(490,356)	(495,975)	(487,236)	8,739
Appropriations for contingencies	(29,754)	(14,323)		14,323
Changes in fund balance	(191,199)	(295,022)	(155,655)	139,367
TOTAL OTHER FINANCING SOURCES (USES)	177,006	138,300	80,764	(57,536)
NET CHANGE IN FUND BALANCE	(1,982,626)	(1,982,626)	(53,294)	1,929,332
FUND BALANCE, JULY 1, 2017 (Note 16)	1,982,626	1,982,626	1,982,626	
FUND BALANCE, JUNE 30, 2018 (Note 16)	$		1,929,332	1,929,332

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FIRE PROTECTION DISTRICT
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	FIRE PROTECTION DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 851,931	861,704	854,886	(6,818)
Licenses, permits and franchises	15,018	16,487	16,371	(116)
Fines, forfeitures and penalties	2,209	2,209	2,347	138
Revenue from use of money and property:				
Investment income	938	938	1,302	364
Rents and concessions	81	81	100	19
Intergovernmental revenues:				
Federal	19,357	19,913	14,651	(5,262)
State	19,497	19,497	14,742	(4,755)
Other		482	1,178	696
Charges for services	216,427	243,074	244,264	1,190
Miscellaneous	2,611	2,611	3,406	795
TOTAL REVENUES	1,128,069	1,166,996	1,153,247	(13,749)
EXPENDITURES				
Current-Public protection:				
Salaries and employee benefits	962,869	1,012,945	1,010,756	2,189
Services and supplies	153,660	144,910	138,117	6,793
Other charges	7,014	7,374	6,977	397
Capital assets	22,735	21,514	20,809	705
TOTAL EXPENDITURES	1,146,278	1,186,743	1,176,659	10,084
DEFICIENCY OF REVENUES OVER EXPENDITURES	(18,209)	(19,747)	(23,412)	(3,665)
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	297	297	265	(32)
Transfers in	1,579	1,617	2,202	585
Transfers out	(3,500)	(3,500)	(3,500)	
Appropriation for contingencies		1,500		(1,500)
Changes in fund balance	(1,936)	(1,936)	3,090	5,026
TOTAL OTHER FINANCING SOURCES (USES)	(3,560)	(2,022)	2,057	4,079
NET CHANGE IN FUND BALANCE	(21,769)	(21,769)	(21,355)	414
FUND BALANCE, JULY 1, 2017 (Note 16)	21,769	21,769	21,769	
FUND BALANCE, JUNE 30, 2018 (Note 16)	$		414	414

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
FLOOD CONTROL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	FLOOD CONTROL DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 141,645	146,871	147,994	1,123
Licenses, permits and franchises	1,110	1,110	1,042	(68)
Fines, forfeitures and penalties	940	940	850	(90)
Revenue from use of money and property:				
Investment income	4,319	4,717	8,338	3,621
Rents and concessions	6,231	6,231	5,439	(792)
Royalties	541	541	716	175
Intergovernmental revenues:				
Federal			6,987	6,987
State	1,489	1,489	5,812	4,323
Other	1,592	1,592	622	(970)
Charges for services	111,714	111,714	104,047	(7,667)
Miscellaneous	123	123	1,806	1,683
TOTAL REVENUES	269,704	275,328	283,653	8,325
EXPENDITURES				
Current-Public protection:				
Services and supplies	227,088	254,688	254,592	96
Other charges	8,606	25,106	18,448	6,658
Capital assets	505	505	486	19
Capital outlay	117,671	72,798	37,782	35,016
TOTAL EXPENDITURES	353,870	353,097	311,308	41,789
DEFICIENCY OF REVENUES OVER EXPENDITURES	(84,166)	(77,769)	(27,655)	50,114
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	45	45	1,157	1,112
Transfers out	(4,925)	(5,698)	(2,807)	2,891
Appropriations for contingencies		(5,624)		5,624
Changes in fund balance			6,934	6,934
TOTAL OTHER FINANCING SOURCES (USES)	(4,880)	(11,277)	5,284	16,561
NET CHANGE IN FUND BALANCE	(89,046)	(89,046)	(22,371)	66,675
FUND BALANCE, JULY 1, 2017 (Note 16)	89,046	89,046	89,046	
FUND BALANCE, JUNE 30, 2018 (Note 16)	$		66,675	66,675

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
COUNTY LIBRARY
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	COUNTY LIBRARY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Taxes	$ 89,535	89,535	92,289	2,754
Fines, forfeitures and penalties			330	330
Revenue from use of money and property:				
Investment income	437	437	1,214	777
Rents and concessions	15	15	15	
Intergovernmental revenues:				
State	540	540	490	(50)
Other	165	165	525	360
Charges for services	2,995	2,995	13,862	10,867
Miscellaneous	934	934	2,385	1,451
TOTAL REVENUES	94,621	94,621	111,110	16,489
EXPENDITURES				
Current-Education:				
Salaries and employee benefits	101,625	101,625	92,212	9,413
Services and supplies	83,726	83,661	62,891	20,770
Other charges	945	945	862	83
Capital assets	1,324	3,729	1,711	2,018
TOTAL EXPENDITURES	187,620	189,960	157,676	32,284
DEFICIENCY OF REVENUES OVER EXPENDITURES	(92,999)	(95,339)	(46,566)	48,773
OTHER FINANCING SOURCES (USES)				
Sales of capital assets	13	13	12	(1)
Transfers in	48,615	51,725	46,294	(5,431)
Transfers out	(1,556)	(2,326)	(2,326)	
Changes in fund balance	(2,061)	(2,061)	(752)	1,309
TOTAL OTHER FINANCING SOURCES (USES)	45,011	47,351	43,228	(4,123)
NET CHANGE IN FUND BALANCE	(47,988)	(47,988)	(3,338)	44,650
FUND BALANCE, JULY 1, 2017 (Note 16)	47,988	47,988	47,988	
FUND BALANCE, JUNE 30, 2018 (Note 16)	$		44,650	44,650

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
REGIONAL PARK AND OPEN SPACE DISTRICT
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	REGIONAL PARK AND OPEN SPACE DISTRICT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Fines, forfeitures and penalties	$ 439	439	422	(17)
Revenue from use of money and property-Investment income	1,786	1,786	4,691	2,905
Charges for services	123,626	123,626	125,772	2,146
TOTAL REVENUES	125,851	125,851	130,885	5,034
EXPENDITURES				
Current-Recreation and cultural services:				
Services and supplies	12,518	12,523	7,758	4,765
Other charges	178,646	178,641	41,352	137,289
TOTAL EXPENDITURES	191,164	191,164	49,110	142,054
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(65,313)	(65,313)	81,775	147,088
OTHER FINANCING SOURCES (USES)				
Transfers in	122,977	122,982	119,468	(3,514)
Transfers out	(137,103)	(137,108)	(133,547)	3,561
Changes in fund balance	(89,003)	(89,003)	(84,551)	4,452
TOTAL OTHER FINANCING SOURCES (USES)	(103,129)	(103,129)	(98,630)	4,499
NET CHANGE IN FUND BALANCE	(168,442)	(168,442)	(16,855)	151,587
FUND BALANCE, JULY 1, 2017 (Note 16)	168,608	168,608	168,608	
FUND BALANCE, JUNE 30, 2018 (Note 16)	$ 166	166	151,753	151,587

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

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL ON BUDGETARY BASIS
MENTAL HEALTH SERVICES ACT
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	MENTAL HEALTH SERVICES ACT			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL ON BUDGETARY BASIS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES				
Revenue from use of money and property-				
Investment income	$ 7,399	7,399	19,547	12,148
Intergovernmental revenues-				
State	527,874	527,874	561,599	33,725
TOTAL REVENUES	535,273	535,273	581,146	45,873
EXPENDITURES				
Current-Health and sanitation:				
Services and supplies	19,371	19,371	410	18,961
Other Charges		50,000	50,000	
TOTAL EXPENDITURES	19,371	69,371	50,410	18,961
EXCESS OF REVENUES OVER EXPENDITURES	515,902	465,902	530,736	64,834
OTHER FINANCING USES				
Transfers out	(598,996)	(579,693)	(518,652)	61,041
Appropriations for contingencies	(99,960)	(99,960)		99,960
Changes in fund balance	(187,033)	(156,336)	(155,348)	988
TOTAL OTHER FINANCING USES	(885,989)	(835,989)	(674,000)	161,989
NET CHANGE IN FUND BALANCE	(370,087)	(370,087)	(143,264)	226,823
FUND BALANCE, JULY 1, 2017 (Note 16)	370,087	370,087	370,087	
FUND BALANCE, JUNE 30, 2018 (Note 16)	$		226,823	226,823

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

COUNTY OF LOS ANGELES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
ASSETS				
Current assets:				
Pooled cash and investments: (Notes 1 and 5)				
Operating	$ 1,326	34,233	32,000	347
Other	8,487	4,557	10,189	2,263
Total pooled cash and investments	9,813	38,790	42,189	2,610
Taxes receivable				
Accounts receivable - net (Note 14)	739,662	444,722	829,460	208,443
Interest receivable	89	21	30	8
Other receivables	21,678	17,499	31,733	5,261
Due from other funds (Note 15)	104,552	78,212	99,930	19,387
Advances to other funds (Note 15)				
Inventories	9,281	5,603	10,807	1,835
Total current assets	885,075	584,847	1,014,149	237,544
Noncurrent assets:				
Restricted assets (Note 5)	51,535	15,301	5,019	14,720
Other receivables (Note 14)	51,081	28,713	47,006	5,391
Capital assets: (Notes 6 and 10)				
Land and easements	3,276	16,426	18,183	217
Buildings and improvements	932,622	363,618	1,090,642	201,034
Equipment	131,096	91,407	150,051	36,825
Intangible - software	16,921	14,359	20,704	5,616
Infrastructure				
Construction in progress	61,436			287,702
Less accumulated depreciation	(330,378)	(196,346)	(398,846)	(141,540)
Total capital assets - net	814,973	289,464	880,734	389,854
Total noncurrent assets	917,589	333,478	932,759	409,965
TOTAL ASSETS	1,802,664	918,325	1,946,908	647,509
DEFERRED OUTFLOWS OF RESOURCES (Note 20)	244,208	156,377	326,109	66,311
LIABILITIES				
Current liabilities:				
Accounts payable	148,092	84,137	136,169	33,937
Accrued payroll	32,989	19,933	43,606	7,816
Other payables	4,861	2,360	4,242	1,333
Accrued interest payable	14,042	4,720		
Due to other funds (Note 15)	87,933	48,925	168,757	26,493
Advances from other funds (Note 15)	91,843	2,331	5,802	21,988
Advances payable		55	459	18
Current portion of long-term liabilities (Note 11)	186,176	57,356	169,039	201,119
Total current liabilities	565,936	219,817	528,074	292,704
Noncurrent liabilities:				
Accrued compensated absences (Note 11)	67,428	39,801	88,405	15,614
Bonds and notes (Note 11)	506,455	195,550		
Premiums on bonds and notes payable (Note 11)	16,537	13,581		
Capital lease obligations (Notes 10 and 11)	61	104		
Workers' compensation (Notes 11 and 18)	97,365	38,751	146,506	28,918
Litigation and self-insurance (Notes 11 and 18)	19,097	2,301	43,390	101
Net pension liability (Notes 8 and 11)	497,378	320,031	669,460	141,365
Net OPEB liability (Notes 9 and 11)	1,294,310	862,795	1,944,615	404,610
Third party payor (Notes 11 and 14)	148,789	61,494	213,221	39,969
Total noncurrent liabilities	2,647,420	1,534,408	3,105,597	630,577
TOTAL LIABILITIES	3,213,356	1,754,225	3,633,671	923,281
DEFERRED INFLOWS OF RESOURCES (Note 20)	126,032	79,146	183,611	45,580
NET POSITION				
Net investment in capital assets	274,023	90,496	880,734	211,804
Restricted:				
Debt service	3,233	9,515	5,019	
Public ways and facilities				
Unrestricted (deficit)	(1,569,772)	(858,680)	(2,430,018)	(466,845)
TOTAL NET POSITION (DEFICIT) (Note 3)	$ (1,292,516)	(758,669)	(1,544,265)	(255,041)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				ASSETS
				Current assets:
				Pooled cash and investments: (Notes 1 and 5)
$ 104,319	6,869	$ 179,094	$ 42,705	Operating
2,199	172	27,867	7,224	Other
106,518	7,041	206,961	49,929	Total pooled cash and investments
717		717		Taxes receivable
14,182	4,931	2,241,400		Accounts receivable - net (Note 14)
269	20	437	155	Interest receivable
		76,171	8,472	Other receivables
1,517	158	303,756	97,929	Due from other funds (Note 15)
1,335		1,335		Advances to other funds (Note 15)
		27,526	8,618	Inventories
124,538	12,150	2,858,303	165,103	Total current assets
				Noncurrent assets:
		86,575	18,259	Restricted assets (Note 5)
		132,191		Other receivables (Note 14)
				Capital assets: (Notes 6 and 10)
11,842	134,692	184,636		Land and easements
119,091	42,227	2,749,234		Buildings and improvements
1,519	1,473	412,371	270,115	Equipment
1,322		58,922		Intangible - software
1,211,358	57,313	1,268,671		Infrastructure
32,425	9,658	391,221		Construction in progress
(681,519)	(69,172)	(1,817,801)	(142,712)	Less accumulated depreciation
696,038	176,191	3,247,254	127,403	Total capital assets - net
696,038	176,191	3,466,020	145,662	Total noncurrent assets
820,576	188,341	6,324,323	310,765	TOTAL ASSETS
		793,005	160,533	DEFERRED OUTFLOWS OF RESOURCES (Note 20)
				LIABILITIES
				Current liabilities:
5,319	626	408,280	8,928	Accounts payable
		104,344	20,258	Accrued payroll
	45	12,841	2,892	Other payables
	21	18,783	342	Accrued interest payable
5,808	941	338,857	37,897	Due to other funds (Note 15)
		121,964	22,000	Advances from other funds (Note 15)
24		556	8,920	Advances payable
1,841	101	615,632	28,844	Current portion of long-term liabilities (Note 11)
12,992	1,734	1,621,257	130,081	Total current liabilities
				Noncurrent liabilities:
		211,248	55,929	Accrued compensated absences (Note 11)
7,124	1,614	710,743	26,540	Bonds and notes (Note 11)
		30,118		Premiums on bonds and notes payable (Note 11)
		165		Capital lease obligations (Notes 10 and 11)
		311,540	50,187	Workers' compensation (Notes 11 and 18)
		64,889		Litigation and self-insurance (Notes 11 and 18)
		1,628,234	342,566	Net pension liability (Notes 8 and 11)
		4,506,330	934,923	Net OPEB liability (Notes 9 and 11)
		463,473		Third party payor (Notes 11 and 14)
7,124	1,614	7,926,740	1,410,145	Total noncurrent liabilities
20,116	3,348	9,547,997	1,540,226	TOTAL LIABILITIES
		434,369	102,218	DEFERRED INFLOWS OF RESOURCES (Note 20)
				NET POSITION
688,723	174,476	2,320,256	96,954	Net investment in capital assets
				Restricted:
		17,767	5,143	Debt service
111,737		111,737		Public ways and facilities
	10,517	(5,314,798)	(1,273,243)	Unrestricted (deficit)
$ 800,460	184,993	(2,865,038)	$ (1,171,146)	TOTAL NET POSITION (DEFICIT) (Note 3)
		(3,222)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ (2,868,260)		NET POSITION (DEFICIT) OF BUSINESS-TYPE ACTIVITIES (PAGE 25)

COUNTY OF LOS ANGELES
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
OPERATING REVENUES:				
Net patient service revenues (Note 14)	$ 1,255,403	738,763	1,789,842	280,515
Rentals				
Charges for services				
Other (Note 14)	247,645	149,613	170,420	80,924
TOTAL OPERATING REVENUES	1,503,048	888,376	1,960,262	361,439
OPERATING EXPENSES:				
Salaries and employee benefits	804,572	496,397	1,078,653	200,008
Services and supplies	202,085	119,935	274,089	35,940
Other professional services	223,341	143,543	392,376	51,201
Depreciation and amortization (Note 6)	25,300	13,322	27,675	5,187
Medical malpractice			3,195	
Rent	11,190	4,969	7,759	2,346
TOTAL OPERATING EXPENSES	1,266,488	778,166	1,783,747	294,682
OPERATING INCOME (LOSS)	236,560	110,210	176,515	66,757
NONOPERATING REVENUES (EXPENSES):				
Taxes				
Investment income (loss)	392	(331)	(133)	(158)
Interest expense	(33,777)	(10,326)	(714)	(1,960)
Intergovernmental transfers expense (Note 14)	(394,215)	(199,485)	(517,261)	(93,374)
Intergovernmental revenues:				
State				
Federal				
TOTAL NONOPERATING REVENUES (EXPENSES)	(427,600)	(210,142)	(518,108)	(95,492)
LOSS BEFORE CONTRIBUTIONS AND TRANSFERS	(191,040)	(99,932)	(341,593)	(28,735)
Capital contributions			76	
Transfers in (Note 15)	276,650	219,000	291,758	39,190
Transfers out (Note 15)	(3,981)	(16,230)		(46,627)
CHANGE IN NET POSITION	81,629	102,838	(49,759)	(36,172)
NET POSITION (DEFICIT), JULY 1, 2017, AS RESTATED (Note 2)	(1,374,145)	(861,507)	(1,494,506)	(218,869)
NET POSITION (DEFICIT), JUNE 30, 2018	$ (1,292,516)	(758,669)	(1,544,265)	(255,041)

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				OPERATING REVENUES:
$		$ 4,064,523	$	Net patient service revenues (Note 14)
	4,317	4,317	30,069	Rentals
85,664	545	86,209	541,666	Charges for services
108	2	648,712		Other (Note 14)
85,772	4,864	4,803,761	571,735	TOTAL OPERATING REVENUES
				OPERATING EXPENSES:
		2,579,630	497,280	Salaries and employee benefits
68,980	7,469	708,498	45,727	Services and supplies
2,177	621	813,259	36,547	Other professional services
23,971	2,983	98,438	38,249	Depreciation and amortization (Note 6)
		3,195		Medical malpractice
		26,264		Rent
95,128	11,073	4,229,284	617,803	TOTAL OPERATING EXPENSES
(9,356)	(6,209)	574,477	(46,068)	OPERATING INCOME (LOSS)
				NONOPERATING REVENUES (EXPENSES):
6,013		6,013		Taxes
727	93	590	(111)	Investment income (loss)
(173)	(75)	(47,025)	(1,996)	Interest expense
		(1,204,335)		Intergovernmental transfers expense (Note 14)
				Intergovernmental revenues:
492	1	493		State
2,183	25	2,208		Federal
9,242	44	(1,242,056)	(2,107)	TOTAL NONOPERATING REVENUES (EXPENSES)
(114)	(6,165)	(667,579)	(48,175)	LOSS BEFORE CONTRIBUTIONS AND TRANSFERS
	8,291	8,367		Capital contributions
		826,598	6,727	Transfers in (Note 15)
(687)		(67,525)	(22,191)	Transfers out (Note 15)
(801)	2,126	99,861	(63,639)	CHANGE IN NET POSITION
801,261	182,867		(1,107,507)	NET POSITION (DEFICIT), JULY 1, 2017, AS RESTATED (Note 2)
$ 800,460	184,993		$ (1,171,146)	NET POSITION (DEFICIT), JUNE 30, 2018
		(7,971)		Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
		$ 91,890		CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES (PAGE 27)

COUNTY OF LOS ANGELES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from patient services	$ 965,983	596,631	1,704,931	371,301
Rentals received				
Rentals received from other funds				
Cash received from (returned for) charges for services				
Other operating revenues	247,645	149,613	170,420	80,924
Cash received for services provided to other funds	26,171	29,506	42,688	663
Cash paid for salaries and employee benefits	(720,482)	(442,677)	(957,720)	(178,218)
Cash (paid) returned for services and supplies	(227)	3,585	(52,237)	(17,221)
Other operating expenses	(236,928)	(150,770)	(395,383)	(54,268)
Cash (paid) returned for services from other funds	(124,974)	(57,102)	(83,464)	15,740
Net cash provided by (required for) operating activities	157,188	128,786	429,235	218,921
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Cash advances received from other funds	1,217,713	794,758	1,577,727	268,101
Cash advances paid/returned to other funds	(1,141,992)	(824,695)	(1,630,685)	(303,295)
Interest paid on advances	(912)	(387)	(714)	(129)
Intergovernmental transfers	(394,215)	(199,485)	(517,261)	(93,374)
Intergovernmental receipts				
Transfers in	225,031	162,373	207,849	2,365
Transfers out	(3,981)	(16,230)		(46,627)
Net cash provided by (required for) noncapital financing activities	(98,356)	(83,666)	(363,084)	(172,959)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from taxes				
Capital contributions				
Proceeds from bonds and notes	56,331			192,770
Interest paid on capital borrowing	(33,499)	(10,346)		(1,831)
Principal payments on bonds and notes	(41,570)	(4,278)		(129,997)
Principal payments on capital leases	(23)	(18)		
Acquisition and construction of capital assets	(51,362)	(11,580)	(36,345)	(92,380)
Net cash provided by (required for) capital and related financing activities	(70,123)	(26,222)	(36,345)	(31,438)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income (loss)	373	(313)	(129)	(158)
Net increase (decrease) in cash and cash equivalents	(10,918)	18,585	29,677	14,366
Cash and cash equivalents, July 1, 2017	72,266	35,506	17,531	2,964
Cash and cash equivalents, June 30, 2018	$ 61,348	54,091	47,208	17,330

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				CASH FLOWS FROM OPERATING ACTIVITIES
		$ 3,638,846		Cash received from patient services
	4,317	4,317	16	Rentals received
			29,965	Rentals received from other funds
81,466	(3,676)	77,790	29,204	Cash received from (returned for) charges for services
108	2	648,712		Other operating revenues
		99,028	484,547	Cash received for services provided to other funds
		(2,299,097)	(443,662)	Cash paid for salaries and employee benefits
(67,197)	(6,793)	(140,090)	(41,539)	Cash (paid) returned for services and supplies
(2,177)	(621)	(840,147)	(36,547)	Other operating expenses
		(249,800)		Cash (paid) returned for services from other funds
12,200	(6,771)	939,559	21,984	Net cash provided by (required for) operating activities
				CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES
		3,858,299	8,715	Cash advances received from other funds
29		(3,900,638)		Cash advances paid/returned to other funds
		(2,142)		Interest paid on advances
		(1,204,335)		Intergovernmental transfers
2,675	26	2,701		Intergovernmental receipts
		597,618	6,727	Transfers in
(687)		(67,525)	(10,907)	Transfers out
2,017	26	(716,022)	4,535	Net cash provided by (required for) noncapital financing activities
				CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES
6,093		6,093		Proceeds from taxes
	8,291	8,291		Capital contributions
		249,101	20,000	Proceeds from bonds and notes
(173)	(54)	(45,903)	(1,872)	Interest paid on capital borrowing
(374)	(98)	(176,317)	(20,670)	Principal payments on bonds and notes
		(41)		Principal payments on capital leases
(5,878)	(3,787)	(201,332)	(30,399)	Acquisition and construction of capital assets
(332)	4,352	(160,108)	(32,941)	Net cash provided by (required for) capital and related financing activities
				CASH FLOWS FROM INVESTING ACTIVITIES
744	102	619	(7)	Investment income (loss)
14,629	(2,291)	64,048	(6,429)	Net increase (decrease) in cash and cash equivalents
91,889	9,332	229,488	74,617	Cash and cash equivalents, July 1, 2017
$ 106,518	7,041	$ 293,536	$ 68,188	Cash and cash equivalents, June 30, 2018

Continued…

FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	BUSINESS-TYPE ACTIVITIES -			
	Harbor-UCLA Medical Center	Olive View-UCLA Medical Center	LAC+USC Medical Center	Rancho Los Amigos National Rehab Center
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:				
Operating income (loss)	$ 236,560	110,210	176,515	66,757
Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:				
Depreciation and amortization	25,300	13,322	27,675	5,187
(Increase) decrease in:				
Accounts receivable - net	(94,845)	(6,201)	37,851	(12,140)
Other receivables	(1,110)	(2,649)	14,977	1,275
Due from other funds	(47,490)	(39,005)	14,648	122,241
Inventories	(1,044)	(1,338)	(1,795)	(50)
Increase (decrease) in:				
Accounts payable	30,323	30,214	7,511	(10,781)
Accrued payroll	2,981	1,570	3,874	343
Other payables	230	121	240	78
Accrued compensated absences	3,402	2,834	5,391	324
Due to other funds	47,605	37,542	132,672	45,290
Workers' compensation	5,286	3,596	8,754	1,539
Litigation and self-insurance	(2,397)	(2,258)	7,947	(721)
Net pension liability and related changes in deferred outflows and inflows of resources	8,860	2,756	7,589	430
Net OPEB liability and related changes in deferred outflows and inflows of resources	64,899	43,928	97,315	19,391
Third party payor	(121,372)	(65,856)	(111,929)	(20,242)
TOTAL ADJUSTMENTS	(79,372)	18,576	252,720	152,164
NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES	$ 157,188	128,786	429,235	218,921
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-				
Contributions of capital assets	$		76	
TOTAL	$		76	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:				
Pooled cash and investments	$ 9,813	38,790	42,189	2,610
Restricted assets	51,535	15,301	5,019	14,720
TOTAL	$ 61,348	54,091	47,208	17,330

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

ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES	
Waterworks Funds	Nonmajor Aviation Funds	Total	Internal Service Funds	
				RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES:
$ (9,356)	(6,209)	$ 574,477	$ (46,068)	Operating income (loss)
				Adjustments to reconcile operating income (loss) to net cash provided by (required for) operating activities:
23,971	2,983	98,438	38,249	Depreciation and amortization
				(Increase) decrease in:
(4,279)	(4,063)	(83,677)		Accounts receivable - net
		12,493	804	Other receivables
81	(158)	50,317	(29,920)	Due from other funds
		(4,227)	(147)	Inventories
				Increase (decrease) in:
2,095	616	59,978	680	Accounts payable
		8,768	1,839	Accrued payroll
		669	324	Other payables
		11,951	2,916	Accrued compensated absences
(312)	60	262,857	3,655	Due to other funds
		19,175	2,717	Workers' compensation
		2,571		Litigation and self-insurance
		19,635	1,620	Net pension liability and related changes in deferred outflows and inflows of resources
		225,533	45,315	Net OPEB liability and related changes in deferred outflows and inflows of resources
		(319,399)		Third party payor
21,556	(562)	365,082	68,052	TOTAL ADJUSTMENTS
$ 12,200	(6,771)	$ 939,559	$ 21,984	NET CASH PROVIDED BY (REQUIRED FOR) OPERATING ACTIVITIES
				NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES-
$		$ 76	$	Contributions of capital assets
$		$ 76	$	TOTAL
				RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION:
$ 106,518	7,041	$ 206,961	$ 49,929	Pooled cash and investments
		86,575	18,259	Restricted assets
$ 106,518	7,041	$ 293,536	$ 68,188	TOTAL

COUNTY OF LOS ANGELES
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS	AGENCY FUNDS
ASSETS			
Pooled cash and investments (Note 5)	$ 94,986	$ 20,613,134	$ 1,680,551
Other investments: (Note 5)		154,198	300
Short-term investments	1,795,345		
Equity	26,117,827		
Fixed income	16,307,549		
Private equity	5,929,098		
Real estate	6,423,319		
Hedge funds	1,592,126		
Cash collateral on loaned securities	1,191,235		
Taxes receivable			221,253
Interest receivable	102,865	47,066	117,625
Other receivables	754,637		
TOTAL ASSETS	60,308,987	20,814,398	2,019,729
LIABILITIES			
Accounts payable	1,803,897		
Other payables (Note 5)	1,264,101		
Due to other governments			2,019,729
TOTAL LIABILITIES	3,067,998		2,019,729
NET POSITION			
Net position restricted for pension benefits and other purposes	$ 57,240,989	$ 20,814,398	$

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

COUNTY OF LOS ANGELES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	PENSION AND OTHER POSTEMPLOYMENT BENEFIT TRUST FUNDS	INVESTMENT TRUST FUNDS
ADDITIONS		
Contributions:		
Pension and OPEB trust contributions:		
Employer	$ 2,231,532	$
Member	636,062	
Contributions to investment trust funds		47,293,387
Total contributions	2,867,594	47,293,387
Investment earnings:		
Investment income	3,988,416	66,388
Net increase in the fair value of investments	990,520	
Securities lending income (Note 5)	18,796	
Total investment earnings	4,997,732	66,388
Less - Investment expenses:		
Expense from investing activities	189,233	
Expense from securities lending activities (Note 5)	13,113	
Total net investment expense	202,346	
Net investment earnings	4,795,386	66,388
Miscellaneous	5,613	
TOTAL ADDITIONS	7,668,593	47,359,775
DEDUCTIONS		
Administrative expenses:		
Salaries and employee benefits	58,790	
Services and supplies	19,581	
Total administrative expenses	78,371	
Benefit payments	3,812,095	
Distributions from investment trust funds		45,879,829
Miscellaneous	23,672	
TOTAL DEDUCTIONS	3,914,138	45,879,829
CHANGE IN NET POSITION	3,754,455	1,479,946
NET POSITION, JULY 1, 2017	53,486,534	19,334,452
NET POSITION, JUNE 30, 2018	$ 57,240,989	$ 20,814,398

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

JUNE 30, 2018 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
ASSETS			
Pooled cash and investments			
Operating (Notes 1 and 5)	$ 77,763	382,992	$ 460,755
Other investments (Note 5)	353,973		353,973
Accounts receivable - net	24,088		24,088
Interest receivable		767	767
Other receivables	14,324	15,942	30,266
Inventories	9,731		9,731
Capital assets: (Notes 6 and 10)			
Capital assets, not being depreciated	97,328	2,039	99,367
Capital assets, net of accumulated depreciation	75,030	9,007	84,037
Total capital assets	172,358	11,046	183,404
TOTAL ASSETS	652,237	410,747	1,062,984
DEFERRED OUTFLOWS OF RESOURCES	27,652		27,652
LIABILITIES			
Accounts payable	23,482	19,982	43,464
Other payables	7,262	17	7,279
Advances payable	10,482		10,482
Long-term liabilities: (Note 11)			
Due within one year	5,418	108	5,526
Due in more than one year	95,351	575	95,926
TOTAL LIABILITIES	141,995	20,682	162,677
DEFERRED INFLOWS OF RESOURCES	10,801		10,801
NET POSITION			
Net investment in capital assets	129,259	11,046	140,305
Restricted for:			
Debt service	332		332
Community development	351,671		351,671
First 5 LA		379,019	379,019
Unrestricted	45,831		45,831
TOTAL NET POSITION	$ 527,093	390,065	$ 917,158

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

COUNTY OF LOS ANGELES
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED JUNE 30, 2018 (in thousands)

	COMMUNITY DEVELOPMENT COMMISSION	FIRST 5 LA	TOTAL
PROGRAM (EXPENSES) REVENUES:			
Expenses	$ (453,503)	(122,221)	$ (575,724)
Program revenues:			
Charges for services	26,770		26,770
Operating grants and contributions	487,616	74,724	562,340
Capital grants and contributions	3,161		3,161
Net program (expenses) revenues	64,044	(47,497)	16,547
GENERAL REVENUES:			
Investment income	546	4,088	4,634
Miscellaneous	2,171	148	2,319
Total general revenues	2,717	4,236	6,953
CHANGE IN NET POSITION	66,761	(43,261)	23,500
NET POSITION, JULY 1, 2017, AS RESTATED (Note 2)	460,332	433,326	893,658
NET POSITION, JUNE 30, 2018	$ 527,093	390,065	$ 917,158

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Blended Component Units

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Blended Component Units-Continued

The LACSC is a California public benefit corporation created by the County Board of Supervisors in January 2006. Three directors, the County's Auditor-Controller, Treasurer and Tax Collector, and an independent party designated by at least one of the County directors, govern the LACSC. The LACSC purpose is to acquire the County's rights in relation to future tobacco settlement payments and to facilitate the issuance of long-term bonds secured by the County Tobacco Assets. The LACSC provides service solely to the County and is reported as a blended component unit of the County.

Fiduciary Component Unit

The County pension plan is administered by the Los Angeles County Employees Retirement Association (LACERA), which was established under the County Employees' Retirement Law of 1937 (CERL). LACERA is a cost-sharing, multi-employer defined benefit plan. LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. LACERA also administers a cost-sharing, multi-employer OPEB or Retiree Healthcare Program on behalf of the County. LACERA is reported in the Pension and Other Postemployment Benefit Trust Funds on the Statement of Net Position - Fiduciary Funds of the basic financial statements and has been included because its operations are dependent upon County funding and because its operations, almost exclusively, benefit the County. LACERA issues a stand-alone financial report, which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199 or at www.LACERA.com.

Discretely Presented Component Units

Community Development Commission (CDC) of the County of Los Angeles

CDC, established on July 1, 1982, by ordinance of the Board of Supervisors, is responsible for:

- Directing the County's housing programs, including planning, housing finance, production and conservation, and management of the County's public housing developments;
- Financing community improvements such as resurfacing streets, rehabilitating homes and businesses, and removing graffiti;
- Providing economic development and business revitalization services;
- Redeveloping housing, business, and industry in designated areas; and
- Providing comprehensive planning systems for housing and economic development.

While its Board members are the same as the County Board of Supervisors, CDC does not meet the criteria for blending due to the following: 1) there is no financial burden or benefit relationship with the County nor does management of the County have operational responsibilities over it; 2) the CDC does not provide services entirely or almost entirely to the County; and 3) the CDC total debt outstanding is not expected to be repaid with resources of the County. The financial activity of the CDC is reported within the Discretely Presented Component Units column of the government-wide financial statements. CDC issues a separate financial report that can be obtained at https://www.lacdc.org/about-cdc/budget-and-finance or by writing to the Community Development Commission at 700 W. Main Street, Alhambra, California 91801.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Discretely Presented Component Units-Continued

Los Angeles County Children and Families First - Proposition 10 Commission

Los Angeles County Children and Families First - Proposition 10 Commission also known as First 5 LA (First 5) was established by the County as a separate legal entity to administer the County's share of tobacco taxes levied by the State pursuant to Proposition 10. The County's Board established First 5 with nine voting members and four non-voting representatives. Of the nine voting members, one is a member of the Board of Supervisors, three are heads of County Departments (Public Health Services, Mental Health, and Children and Family Services), and five are public members appointed by the Board. The non-voting representatives are from other County commissions and planning groups.

First 5 services are focused on the development and well-being of all children, from the prenatal stage until age five. First 5 is a discretely presented component unit of the County because the County's Board appoints the voting Commissioners and the County has the ability to impose its will by removing those Commissioners at will. First 5 hires its own employees, including an Executive Director and functions independent of the County. It is discretely presented because its governing body is not substantially the same as the County's governing body and it does not provide services entirely or exclusively to the County. The financial activity of First 5 is reported within the Discretely Presented Component Units column of the government-wide financial statements. First 5 issues a separate financial report that can be obtained by writing to First 5 LA at 750 N. Alameda Street, Suite 300, Los Angeles, California 90012.

Related Organization

Los Angeles County Office of Education (LACOE) is a legally separate entity from the County. LACOE is governed by a seven-member Board of Education appointed by the County Board of Supervisors. However, the County's accountability for LACOE does not extend beyond making appointments and no financial benefit/burden relationship exists between the County and LACOE. LACOE is deemed to be a related organization. LACOE issues a separate financial report that can be obtained by writing to the Los Angeles County Office of Education at 9300 Imperial Highway, Downey, California 90242-2890.

Basic Financial Statements

In accordance with Governmental Accounting Standards Board Statement (GASB) 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," the basic financial statements consist of the following:

- Government-wide financial statements;
- Fund financial statements; and
- Notes to the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Government-wide Financial Statements

The statement of net position and statement of activities display information about the primary government, the County, and its blended and discretely presented component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities, except for services provided among funds (other than internal service funds). These statements distinguish between the governmental and business-type activities of the County and between the County and its discretely presented component units.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs. Grants and contributions that are restricted to meeting the operational or capital requirements of a particular program are also recognized as program revenues. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Net position is classified into the following three components: 1) net investment in capital assets; 2) restricted and 3) unrestricted. Net position is reported as restricted when it has external restrictions imposed by creditors, grantors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2018, the restricted net position balances were $3.524 billion and $134.65 million for governmental activities and business-type activities, respectively. For governmental activities, $607.30 million was restricted by enabling legislation.

When both the restricted and unrestricted components of net position are available, restricted resources are used first and then unrestricted resources are used to the extent necessary.

Fund Financial Statements

The fund financial statements provide information about the County's funds, including fiduciary funds and blended component units. Separate statements for each fund category - governmental, proprietary, and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as nonmajor funds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

In accordance with GAAP, the County reports on each major fund. By definition, the general fund is always considered a major fund. Funds other than the general fund must be reported as major funds if they meet both the ten percent and five percent criterion, defined respectively, 1) an individual fund reports at least ten percent of any of the following: a) total fund assets and deferred outflows of resources, b) total fund liabilities and deferred inflows of resources, c) total fund revenues, or d) total fund expenditures/expenses; 2) an individual fund reports at least five percent of the aggregated total for both governmental funds and enterprise funds of any one of the items for which it met the ten percent criterion. In addition, a fund may be reported as major if it is believed to be of particular importance to financial statement users.

The County reports the following major governmental funds:

General Fund

The General Fund is available for any authorized purpose and is used to account for and report all financial resources not accounted for and reported in another fund.

Fire Protection District Fund

The Fire Protection District Fund is used to account for fire prevention and suppression, rescue service, management of hazardous materials incidents, ocean lifeguard services, and acquisition and maintenance of District property and equipment. Funding comes primarily from the District's statutory share of the Countywide tax levy, voter-approved taxes and charges for services.

Flood Control District Fund

The Flood Control District Fund is used to account for the control and conservation of flood, storm and other waste waters, to conserve such waters for beneficial and useful purposes, and to protect the harbors, waterways, public highways and property located within the District from damage from such flood and storm waters. Funding comes primarily from the District's statutory share of the Countywide tax levy and benefit assessments (charges for services).

County Library Fund

The County Library Fund, previously the Public Library Fund, is used to account for free library services to the unincorporated areas of the County and to cities that contract for these services. Funding comes primarily from the District's statutory share of the Countywide tax levy and voter-approved taxes.

Regional Park and Open Space District Fund

The Regional Park and Open Space District Fund is used to account for the programs designed to preserve beaches, parks, and wild lands, to acquire and renovate new and existing recreational facilities, and to restore rivers, streams, and trails in the County. Funding comes primarily from voter-approved assessments, charges for services and long-term debt proceeds.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

Mental Health Services Act Fund

The Mental Health Services Act Fund is used to account for the Mental Health Services Act (MHSA) to support the County's mental health delivery system for children, transition age youth, adults, older adults, and families. Revenues are derived primarily by the passage of State Proposition 63 in November 2004. Proposition 63 generates mental health revenue through a one percent income surcharge on individuals with State taxable incomes over $1.0 million.

The County's four Hospital Funds and Waterworks Funds are all considered major funds for presentation purposes. There is one nonmajor enterprise fund (Aviation Funds). The Hospital Enterprise funds provide health services to County residents. Revenues are principally patient service fees. Subsidies are also received from the General Fund. The Waterworks Enterprise Funds provide water services to County residents. Revenues are derived primarily from the sale of water and water service standby charges. The Aviation Enterprise Funds provide airport services for five County airports. Revenues are derived primarily from airport charges and rentals. A description of each Enterprise Fund is provided below:

Harbor-UCLA Medical Center

The Harbor-UCLA Medical Center (H/UCLA) provides acute and intensive care unit medical/surgical inpatient and outpatient services, trauma and emergency room services, acute psychiatric services, pediatric and obstetric services, and transplants.

Olive View-UCLA Medical Center

The Olive View-UCLA Medical Center (OV/UCLA) provides acute and intensive care, emergency services, medical/surgical inpatient and outpatient health care services, obstetric and gynecological services, and psychiatric services.

LAC+USC Medical Center

The LAC+USC Medical Center (LAC+USC) provides acute and intensive care unit medical/surgical inpatient and outpatient services, trauma and emergency room services, a burn center, psychiatric services, renal dialysis, AIDS services, pediatric and obstetric services, and communicable disease services.

Rancho Los Amigos National Rehabilitation Center

The Rancho Los Amigos National Rehabilitation Center (Rancho) specializes in the rehabilitation for victims of spinal cord injuries and strokes, pathokinesiology and polio services, services for liver diseases, pediatrics, ortho diabetes, dentistry, and neuro-science.

Waterworks Funds

The Waterworks Enterprise funds are used to account for the administration, maintenance, operation and improvement of district water systems.

Aviation Funds

The Aviation Enterprise Funds are used to account for the administration, maintenance, operation and improvement of the five airports which are owned by the County.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Financial Statements-Continued

The following fund types have also been reported:

Internal Service Funds

The Internal Service Funds are used to account for the financing of services provided by a department or agency to other departments or agencies on a cost-reimbursement basis. The County's principal Internal Service Fund is used to account for the cost of services provided by the Department of Public Works to various other County funds and agencies.

Fiduciary Fund Types

Pension and Other Postemployment Benefits Trust Funds

The Pension Trust Fund is used to account for financial activities of the County's Pension Plan administered by LACERA.

The Other Postemployment Benefits (OPEB) Trust Fund is used to account for the financial activities of the OPEB trust for the purpose of holding and investing assets to pre-fund the Retiree Health Program administered by LACERA.

Investment Trust Funds

The Pooled Investment Trust Fund is used to account for the net position of the County's external investment pool.

The Specific Investment Trust Fund is used to account for the net position of individual investment accounts, in aggregate. The related investment activity occurs separately from the County's investment pool and is provided as a service to external investors.

Agency Funds

The Agency Funds are used primarily to account for assets held by the County in an agency capacity pending transfer or distribution to individuals, private organizations, other governmental entities, and other funds. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. These funds (including property taxes and departmental funds) account for assets held by the County in an agency capacity for individuals or other government units.

Basis of Accounting

The government-wide, proprietary, pension and other postemployment benefits, and investment trust funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants and similar items are recognized in the fiscal year in which all eligibility requirements have been satisfied.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Basis of Accounting-Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers revenues to be available if collectible within one year after year-end, except for property taxes, which are considered available to the extent that they are collectible within 60 days after year-end. When property taxes are measurable but not available, the collectible portion (taxes levied less estimated uncollectibles) is recorded as deferred inflows of resources in the period when an enforceable legal claim to the assets arises. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims (including workers' compensation) and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital lease obligations are reported as other financing sources.

For the governmental funds financial statements, revenues are recorded when they are susceptible to accrual. Specifically, ad valorem property taxes (except for redevelopment agency dissolution), sales taxes, investment income (loss), charges for services, and other miscellaneous revenue are all considered to be susceptible to accrual and have been recognized as revenue in the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met and are recorded at the time of receipt or earlier, if the susceptible to accrual criteria are met. When all eligibility requirements are met, except for the timing requirements, a deferred inflow of resources is reported until the time requirements have passed. All other revenues are not considered susceptible to accrual and are recognized when received, including property tax revenues derived from redevelopment agency dissolution.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's four Hospital Enterprise Funds (Hospitals) are from patient services. The principal operating revenues for the Waterworks Enterprise Funds are from charges for services. The principal operating revenues for the Nonmajor Aviation Enterprise Funds and Internal Service Funds are charges for services and rental revenues. Operating expenses for all Enterprise Funds and the Internal Service Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. Medical malpractice expenses, which are self-insured, are classified as operating expenses of the Hospitals. All other revenues and expenses not meeting this definition are reported as nonoperating items. As discussed in Note 14, intergovernmental transfer payments are recorded in the Hospitals and this item is classified as a nonoperating expense.

Agency funds do not have a measurement focus because they report only assets and liabilities. They do, however, use the accrual basis of accounting to recognize receivables and payables.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Budgetary Data

In accordance with the provisions of Sections 29000-29144 of the Government Code of the State of California (Government Code), commonly known as the County Budget Act, the County prepares and adopts a budget on or before October 2 for each fiscal year. Budgets are adopted for the major governmental funds and certain nonmajor governmental funds on a basis of accounting that is different from GAAP. Annual budgets were not adopted for the JPAs, Public Buildings and the LACSC debt service funds, the capital project funds and the permanent funds.

The County budget is organized by budget unit and by expenditure object. Budget units are established at the discretion of the Board of Supervisors. Within the General Fund (with certain exceptions), budget units are generally defined as individual departments. For other funds, each individual fund constitutes a budget unit. Expenditures are controlled at the object level for all budget units within the County, except for capital asset expenditures, which are controlled at the sub-object level. The total budget exceeds $32.232 billion and is currently controlled through the use of approximately 400 separate budget units. There were no excesses of expenditures over the related appropriations within any fund for the year ended June 30, 2018. The County prepares a separate budgetary document, the County Budget, which demonstrates legal compliance with budgetary control. This document is made available to the public on the County's website at https://ceo.lacounty.gov/budget, or can be obtained from the Auditor-Controller's office.

Transfers of appropriations between budget units must be approved by the Board. Supplemental appropriations financed by unanticipated revenue during the year must also be approved by the Board. Transfers of appropriations between objects of expenditure within the same budget unit must be approved by the Board or the Chief Executive Office, depending upon the amount transferred. The original and final budget amounts are reported in the accompanying basic financial statements. Any excess of budgetary expenditures and other financing uses over revenues and other financing sources is financed by beginning available fund balances as provided for in the County Budget Act.

Note 16 describes the differences between the budgetary basis of accounting and GAAP. A reconciling schedule is also presented for the major governmental funds.

Property Taxes

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the Government Code and Revenue and Taxation Code. Property is assessed at 100% of full cash or market value (with some exceptions) pursuant to Article XIIIA of the California State Constitution and statutory provisions by the County Assessor and State Board of Equalization. The total FY 2017-2018 assessed valuation of the County of Los Angeles approximated $1.435 trillion.

The property tax levy to support general operations of the various jurisdictions is limited to one percent (1%) of full cash value and is distributed in accordance with statutory formulae. Amounts needed to finance the annual requirements of voter-approved debt are excluded from this limitation and are separately calculated and levied each fiscal year. The rates are formally adopted by either the Board or the city councils and, in some instances, the governing board of a special district.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Property Taxes-Continued

The County is divided into 13,098 tax rate areas, which are unique combinations of various jurisdictions servicing a specific geographic area. The rates levied within each tax rate area vary only in relation to levies assessed as a result of voter-approved taxes or indebtedness.

Property taxes are levied on both real and personal property. Secured property taxes are levied during September of each year. They become a lien on real property on January 1 preceding the fiscal year for which taxes are levied. These tax payments can be made in two equal installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10. Secured property taxes, which are delinquent and unpaid as of June 30, are declared to be tax defaulted and are subject to redemption penalties, costs, and interest when paid. If the delinquent taxes are not paid at the end of five (5) years, the property may be sold at public auction. The proceeds are used to pay the delinquent amounts due, and any excess is remitted, if claimed, to the taxpayer. Additional tax liens are created when there is a change in ownership of property or upon completion of new construction. Tax bills for these new tax liens are issued throughout the fiscal year and contain various payment and delinquent dates but are generally due within one year. If the new tax liens are lower, the taxpayer receives a tax refund rather than a tax bill. Unsecured personal property taxes are not a lien against real property. These taxes are due on August 1 and become delinquent, if unpaid, on August 31.

Legislation Dissolving Redevelopment Agencies and Affect on Property Taxes

State Assembly Bill (AB) x1 26, also referred to as the “Redevelopment Dissolution Act” was approved in 2011. Under AB x1 26, property tax revenues are allocated to pay enforceable legal obligations, pass-through payments and eligible administrative costs. Any remaining property tax revenues, otherwise known as “residual taxes,” are distributed as property tax revenue to the appropriate local government agencies, including the County. Oversight Boards have been established for each of the 71 successor agencies within the County. The Oversight Boards are required to evaluate and approve the successor agencies’ remaining enforceable legal obligations. The County Auditor-Controller is responsible for disbursing property tax increment revenues in accordance with provisions of AB x1 26 and applicable amendments. For the year ended June 30, 2018, the County’s share of residual property tax revenues was $239.32 million, of which $201.85 million was recognized in the County’s General Fund.

Deposits and Investments

Deposits and investments as discussed in Note 5 are reflected in the following asset accounts:

Pooled Cash and Investments

As provided for by the Government Code, the cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing interest earnings through investment activities. Interest earned on pooled investments is deposited to participating funds based upon each fund's average daily deposit balance during the allocation period. Each respective fund's share of the total pooled cash and investments is included among asset balances under the caption "Pooled Cash and Investments."

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deposits and Investments-Continued

Pooled Cash and Investments-Continued

Pooled Cash and Investments are identified within the following categories for all County operating funds:

Operating Pooled Cash and Investments

This account represents amounts reflected in the County's day-to-day financial records. Such amounts are utilized to determine the availability of cash for purposes of disbursing and borrowing funds.

Other Pooled Cash and Investments

This account represents amounts identified in various agency funds as of June 30, 2018, that were owed to or were more appropriately classified in County operating funds. Accordingly, certain cash balances have been reclassified from the agency funds as required by GASB 34.

Other Investments

This account represents Pension and OPEB Trust Fund investments, various JPAs, NPCs and Public Buildings (bond financed capital assets), and amounts on deposit with the County Treasurer, which are invested separately as provided by the Government Code or by specific instructions from the depositing entity.

Restricted Assets

Enterprise Funds' restricted assets represent cash and investments of certain JPAs and Public Buildings projects restricted in accordance with the provisions of the certificates of participation issued. The Internal Service Funds' restricted assets represent cash and investments restricted for debt service in accordance with the provisions of the LACCAL bond indenture. All of the above noted assets are included in the various disclosures in Note 5. These restricted assets are presented as noncurrent assets and are generally associated with long-term bonds payable and certificates of participation.

Inventories

Inventories, which consist of materials and supplies held for consumption, are valued at cost using the average cost basis. The inventory costs of the governmental funds are accounted for as expenditures when the inventory items are consumed. Reported inventories are categorized as nonspendable fund balance as required by GASB 54 because these amounts are not available for appropriation and expenditure.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Capital Assets

Capital assets, which include land and easements, buildings and improvements, equipment, intangible and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets are divided into the five following networks: road; water; sewer; flood control and aviation. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. Certain buildings and equipment are being leased under capital leases as defined in GASB 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements." The present value of the minimum lease obligation has been capitalized in the statement of net position and is also reflected as a liability in that statement.

Capital outlay is recorded as expenditures in the governmental fund financial statements and as assets in the government-wide financial statements to the extent the County's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds from tax-exempt debt over the same period. For taxable debt, business-type activities interest is capitalized and not netted with interest earnings.

The County's capitalization thresholds are $5,000 for equipment, $100,000 for buildings and improvements, $1 million for software intangible assets, $100,000 for non-software intangible assets, and $25,000 for infrastructure assets. Maintenance and repairs are charged to operations when incurred. Betterments and major improvements, which significantly increase values, change capacities, or extend useful lives are capitalized subject to the threshold in the affected asset category. Upon sale or retirement of capital assets, the cost and the related accumulated depreciation or amortization, as applicable, are removed from the respective accounts and any resulting gain or loss is included in the results of operations. Specific disclosures related to capital assets appear in Note 6. Amortization for software and other intangible assets is included in the reporting of depreciation.

Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	2 to 35 years
Software	5 to 25 years
Infrastructure	15 to 100 years

Works of art and historical treasures held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, encumbered, conserved, and preserved by the County. It is the County's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Deferred Outflows and Inflows of Resources

Pursuant to GASB 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," and GASB 65, "Items Previously Reported as Assets and Liabilities," the County recognizes deferred outflows of resources and/or deferred inflows of resources in the government-wide statement of net position, governmental funds balance sheets, and proprietary funds statement of net position.

In addition to assets, the financial statements report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time, except for pension and OPEB related deferred inflows of resources, which will be recognized as a credit to expense.

Specific disclosures of items representing deferred outflows and inflows of resources appear in Note 20.

Advances Payable

The County uses certain agency funds as clearing accounts for the distribution of financial resources to other County funds. Pursuant to GASB 34, for external financial reporting purposes, the portions of the clearing account balances that pertain to other County funds should be reported as cash of the appropriate funds. The corresponding liability is included in "Advances Payable" because the amounts represent unearned revenue.

Compensated Absences

Vacation pay benefits accrue to employees ranging from 10 to 25 days per year depending on years of service and the benefit plan. Sick leave benefits accrue at the rate of 10 to 12 days per year for union represented employees depending on years of service. Non-represented employees accrue at a rate of up to 8 days of sick leave per year depending on the benefit plan. Employees can also accumulate unused holiday and compensatory time off benefits throughout the year. All benefits are payable upon termination, if unused, within limits and rates as specified in the County Salary Ordinance.

Liabilities for accrued compensated absences are accrued in the government-wide financial statements and in the proprietary funds. For the governmental funds, expenditures are recorded when amounts become due and payable (i.e., when employees terminate from service).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Net Pension Liability and Related Balances

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the LACERA and additions to/deductions from LACERA's fiduciary net position have been determined on the same basis as they are reported by LACERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Reported results pertain to liability and asset information within the following defined timeframes:

Valuation Date (VD) - June 30, 2016 rolled forward to June 30, 2017
Measurement Date (MD) - June 30, 2017
Measurement Period (MP) - July 1, 2016 to June 30, 2017

Net OPEB Liability and Related Balances - Retiree Healthcare

For purposes of measuring the net OPEB liability related to Retiree Healthcare, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the LACERA and additions to/deductions from LACERA's fiduciary net position have been determined on the same basis as they are reported by LACERA. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Reported results pertain to liability and asset information within the following defined timeframes:

Valuation Date (VD) - June 30, 2016 rolled forward to June 30, 2017
Measurement Date (MD) - June 30, 2017
Measurement Period (MP) - July 1, 2016 to June 30, 2017

Total OPEB Liability and Related Balances - Long-Term Disability

For purposes of measuring the total OPEB liability related to Long-Term Disability (LTD), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the plan. For this purpose, the LTD plan recognizes benefit payments when due and payable in accordance with the benefit terms. Reported results pertain to liability information within the following defined timeframes:

Valuation Date (VD) - June 30, 2017
Measurement Date (MD) - June 30, 2017
Measurement Period (MP) - July 1, 2016 to June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Long-term Debt

In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized in the period issued.

In the governmental funds financial statements, bond premiums, discounts, and issuance costs are recognized in the period issued. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Interest is reported as an expenditure in the period in which the related payment is made. The matured portion of long-term debt (i.e., portion that has come due for payment) is reported as a liability in the fund financial statements of the related fund.

Fund Balances

In the fund financial statements, the governmental funds report the classification of fund balance in accordance with GASB 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” The reported fund balances are categorized as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Specific details related to Fund Balances appear in Note 21.

Nonspendable Fund Balance - amounts that cannot be spent because they are either (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories and long-term notes receivable.

Restricted Fund Balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Restrictions may effectively be changed or lifted only by changing the condition of the constraint.

Committed Fund Balance - amounts that can only be used for the specific purposes determined by a formal action of the County’s highest level of decision-making authority, the County’s Board. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally. The underlying action that imposed the limitation needs to occur no later than the close of the fiscal year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-Continued

Fund Balances-Continued

Assigned Fund Balance - amounts intended to be used by the County for specific purposes that are neither restricted nor committed. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose. Authorization to assign fund balance rests with the County's Board through the budget process. The Board has also delegated authority to the Chief Executive Officer and County Department Heads for contracts and purchasing authority.

Unassigned Fund Balance - the residual classification for the County's General Fund that includes amounts not contained in other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Supervisors establishes, modifies, or rescinds fund balance commitments by passage of an ordinance or resolution. For its budget, the County utilizes the GASB 54 criteria and an ordinance or resolution is equally binding, for purposes of establishing a fund balance commitment. This is done through the adoption of the budget and subsequent amendments that occur throughout the fiscal year.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Cash Flows

For purposes of reporting cash flows, all amounts reported as "Pooled Cash and Investments," "Other Investments," and "Restricted Assets" are considered cash equivalents. Pooled cash and investment amounts represent funds held in the County Treasurer's cash management pool. Other investments and restricted assets are invested in money market mutual funds held by outside trustees. Such amounts are similar in nature to demand deposits (i.e., funds may be deposited and withdrawn at any time without prior notice or penalty).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and deferred outflows of resources, liabilities and deferred inflows of resources, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/ expenses during the reporting period. Actual results could differ from those estimates.

2. NEW ACCOUNTING PRONOUNCEMENTS

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current basic financial statements.

GASB 75	Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	Improves accounting and financial reporting by state and local governments for postemployment benefits (OPEB) other than pensions and improves the information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. (Notes 2, 9, 11, 20)
GASB 81	Irrevocable Split-Interest Agreements	Improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This statement did not have an impact on the financial statements.
GASB 85	Omnibus 2017	Addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). This statement did not have a material impact on the financial statements.
GASB 86	Certain Debt Extinguishment Issues	Improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement did not have an impact on the financial statements.

2. NEW ACCOUNTING PRONOUNCEMENTS-Continued

Restatement of Net Position

The County and CDC, a discretely presented component unit, implemented GASB 75 during the fiscal year, which resulted in a restatement of net position due to the elimination of the net OPEB obligation and the recognition of net OPEB liability and the related deferred outflows and inflows of resources. In addition, CDC made a restatement of net position due to the recognition of a prior year capital asset disposition. The adjustment to the beginning net position is presented below (in thousands):

	July 1, 2017 as previously reported	Restatement	Net Position July 1, 2017, as restated
Government-Wide:			
Government activities	$ (171,823)	(9,451,237)	$ (9,623,060)
Business-type activities	(965,970)	(1,994,180)	(2,960,150)
Discretely Presented Component Units	898,821	(5,163)	893,658
Proprietary Funds:			
Harbor-UCLA Medical Center	(800,168)	(573,977)	(1,374,145)
Olive-View UCLA Medical Center	(489,772)	(371,735)	(861,507)
LAC+USC Medical Center	(634,504)	(860,002)	(1,494,506)
Rancho Los Amigos National Rehab Center	(30,403)	(188,466)	(218,869)
Nonmajor Internal Service Fund			
Public Works	(694,537)	(429,992)	(1,124,529)
Discretely Presented Component Units:			
CDC	465,495	(5,163)	460,332

3. DEFICIT NET POSITION

The following funds had a net deficit at June 30, 2018 (in thousands):

	Accumulated Deficit
Government-wide:	
Governmental Activities	$ 10,649,724
Business-type Activities	2,868,260
Enterprise Funds:	
Harbor-UCLA Medical Center	1,292,516
Olive View-UCLA Medical Center	758,669
LAC+USC Medical Center	1,544,265
Rancho Los Amigos National Rehab Center	255,041
Internal Service Funds:	
Public Works	1,169,454
Equipment Acquisition	1,692

The government-wide governmental and business-type activities, enterprise and internal service funds' Public Works deficits result primarily from the recognition of certain liabilities including accrued compensated absences, net pension liability, net OPEB liability, workers' compensation, self-insurance and, for the enterprise funds, medical malpractice, and third party payors, as required by GAAP. The internal service funds' Equipment Acquisition fund defict is a result of the early payoff of leased assets for which an advances payable was established to be recognized in future years. Deficits are expected to continue until such liabilities are retired through user charges or otherwise funded.

4. ELIMINATIONS

The Regional Park and Open Space District (RPOSD), a blended component unit, is authorized to issue assessment bonds to acquire and improve recreational land and facilities. These bonds are secured by voter-approved property tax assessments. The RPOSD executed a financing agreement with the Public Works Financing Authority, another blended component unit referred to in the basic financial statements as "Various Joint Powers Authorities (JPAs)". Under the terms of the agreement, the RPOSD sold $510,185,000 of bonds in 1997 that were acquired as an investment by the JPAs. The JPAs financed this investment from proceeds of a simultaneous issuance of an equivalent amount of bonds as a public offering. The structure of the publicly offered JPA bonds was designed to match the RPOSD's bonds relative to the principal and interest maturities and interest rates. This series of transactions was conducted to facilitate the issuance of RPOSD related bonds and to minimize the County's overall interest cost. Pursuant to the financing agreement with the JPAs, the RPOSD has pledged all available tax assessments necessary to ensure the timely payment of principal and interest on the bonds issued by the JPAs. The 1997 bonds were partially refunded in FY 2004-2005 and the remaining 1997 bonds were fully refunded in FY 2007-2008. The transactions between the two component units have been accounted for as follows:

4. ELIMINATIONS-Continued

Fund Financial Statements

At June 30, 2018, the governmental funds financial statements reflect an investment asset (referred to as “Other Investments”) held by the JPAs of $26,575,000 that has been recorded in the nonmajor governmental funds. The governmental funds financial statements do not reflect a liability for the related bonds payable ($26,575,000), as this obligation is not currently due. Accordingly, the value of the asset represents restricted fund balance in the nonmajor governmental funds.

In order to reflect the economic substance of the transaction described above, an eliminations column has been established in the governmental funds financial statements. The purpose of the column is to remove the duplication of assets, fund balances, revenues and expenditures that resulted from the consolidation of the two component units into the County’s overall financial reporting structure.

Government-wide Financial Statements

The government-wide financial statements are designed to minimize the duplicative effects of transactions between funds. Accordingly, the effects of the transaction described above have been eliminated from the amounts presented within governmental activities (as appropriate under the accrual basis of accounting). The specific items eliminated were other investments and bonds payable ($26,575,000) and investment income and interest expense ($1,692,000 for each). Accordingly, there are no reconciling differences between the two sets of financial statements (after the effects of eliminations) for this matter.

The bonds payable of $26,575,000, that were publicly issued, are included among the liabilities presented in the Government-wide Financial Statements. Disclosures related to those outstanding bonds appear in Note 11 and are captioned “Assessment Bonds.”

5. CASH AND INVESTMENTS

Investments in the County's cash and investment pool, other cash and investments, and Pension and OPEB Trust Funds investments, are stated at fair value. Aggregate pooled cash and investments and other cash and investments are as follows at June 30, 2018 (in thousands):

5. CASH AND INVESTMENTS-Continued

			Restricted Assets		
	Pooled Cash and Investments	Other Investments	Pooled Cash and Investments	Other Investments	Total
Governmental Funds	$ 8,590,018	53,083			$ 8,643,101
Proprietary Funds	256,890		104,075	759	361,724
Fiduciary Funds (excluding Pension and OPEB)	22,293,685	154,498			22,448,183
Pension and OPEB Trust Funds	94,986	59,356,499			59,451,485
Discretely Presented Component Units	460,755	353,973			814,728
Total	$ 31,696,334	59,918,053	104,075	759	$ 91,719,221

A summary of cash and investments (by type) as of June 30, 2018 is as follows (in thousands):

Cash:	
County	
Imprest Cash	$ 6,359
Cash in Vault	306
Cash in Bank	231,844
Deposits in Transit	10,515
CDC	14,126
Total Cash	263,150
Investments:	
In Treasury Pool	31,551,385
In Specific Purpose Investment (SPI)	158,438
In Other Specific Investments	301
Held by Outside Trustees	49,601
In LACERA	59,356,499
In Discretely Presented Component Unit - CDC	339,847
Total Investments	91,456,071
Total Cash and Investments	$ 91,719,221

Cash and investments are reported as follows:

Governmental Funds	$ 8,643,101
Proprietary Funds	361,724
Investment Trust Funds	20,767,332
Agency Funds	1,680,851
Pension and OPEB Trust Funds (LACERA)	59,451,485
Discretely presented component unit:	
- First 5	382,992
- CDC	431,736
Total Cash and Investments	$ 91,719,221

County Treasurer Cash

As of June 30, 2018, the County Treasurer (Treasurer) maintained accounts in six banks. The carrying amount of the Treasurer's total deposits in financial institutions was $231.84 million, deposits in transit were $10.52 million, and cash in the Treasurer's vault was $0.31 million.

Under California Government Code Section 53652, each financial institution in California is required to pledge a pool of securities as collateral against all of its public deposits. California Government

5. CASH AND INVESTMENTS-Continued

County Treasurer Cash-Continued

Code Section 53651 delineates the types of eligible securities, and the required collateral percentage, generally at 110%. In addition, under California Government Code Section 53653, the Treasurer has discretion to waive security for the portion of any deposits as insured pursuant to federal law. Through contractual agreement, the Treasurer has opted to waive security for the portion of deposits that is federally insured.

The total balance of deposits in financial institutions was covered by federal depository insurance or collateralized with securities monitored by the California Department of Business Oversight (DBO). DBO confirmed that the pools of collateral related to the County Treasurer's deposits were maintained at required levels as of June 30, 2018.

County Investment Pool

California Government Code Sections 53601, 53635 and 53534 authorize the County Treasurer to invest the External Investment Pool (Pool) and Specific Purpose Investments (SPI) funds in obligations of the United States Treasury, federal agencies, State and local agencies, municipalities, asset-backed securities, bankers' acceptances, commercial paper rated A-1 by Standard & Poor's Global Rating Services (S&P) or P-1 by Moody's Investors Service (Moody's), and F-1 by Fitch, negotiable certificates of deposit, medium-term notes, corporate notes, repurchase agreements, reverse repurchase agreements, time deposits, shares of beneficial interest of a Joint Powers Authority that invests in authorized securities, shares of beneficial interest issued by diversified management companies known as money market mutual funds (MMF) registered with the Securities and Exchange Commission (SEC), securities lending agreements, the State of California's Local Agency Investment Fund (LAIF), interest rate swaps, and supranational institutions. California Government Code Section 53534 authorizes the County Treasurer to enter into interest rate swaps agreements. However, these agreements should only be used in conjunction with the sale of the bonds approved by the Board. The investments are managed by the Treasurer, which reports investment activity to the Board on a monthly basis. In addition, Treasurer investment activity is subject to an annual investment policy review, compliance oversight, quarterly financial review, and annual financial reporting. The Treasurer also maintains Other Specific Investments, which are invested pursuant to the California Government Code. The County has not provided nor obtained any legally binding guarantees during the year ended June 30, 2018, to support the value of shares in the Pool.

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

The School Districts and the Superior Court are required by legal provisions to participate in the County's investment pool. Eighty-six percent (86.58%) of the Treasurer's Pool consists of these involuntary participants. Voluntary participants in the County's Pool include the Sanitation Districts, Metropolitan Transportation Authority, the South Coast Air Quality Management District and other special districts with independent governing boards. The deposits held for both involuntary and voluntary entities are included in the Pooled Investment Trust Fund. Certain SPI have been made by the County, as directed by external depositors. This investment activity occurs separately from the County's Pool and is reported in the Specific Investment Trust Fund in the amount of $154,198,000. The Pool is not registered as an investment company with the SEC. California Government Code statutes and the County Board of Supervisors set forth the various investment policies that the County Treasurer must follow.

Investments are stated at fair value and are valued on a monthly basis. The Treasurer categorizes its fair value measurements within the fair value hierarchy established by GAAP. Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Securities classified in Level 2 of the fair value hierarchy are valued using other observable inputs such as matrix pricing techniques or based on quoted prices for assets in markets that are not active.

Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs. Securities classified in Level 3 are valued using the income approach such as discounted cash flow techniques. Investment in an external government investment pool is not subject to reporting within the level hierarchy.

Investments in LAIF are governed by the California Government Code and overseen by a five member Local Investment Advisory Board as designated by the California Government Code. As of June 30, 2018, the total amount invested by all California local governments and special districts in LAIF was $22.550 billion. LAIF is part of the State of California's Pooled Money Investment Account (PMIA), which as of June 30, 2018 had a balance of $88.820 billion. The PMIA is not SEC registered, but is required to invest according to the California Government Code. Included in the PMIA's investment portfolio are certain derivative securities or similar products in the form of asset-backed securities totaling $2.370 billion at June 30, 2018. Collectively, these represent 2.67% of the PMIA balance of $88.820 billion. The SPI holdings in the LAIF investment pool as of June 30, 2018, were $41.15 million, which were valued using a fair value factor provided by LAIF.

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

The County treasurer has the following recurring fair value measurements as of June 30, 2018 (in thousands):

		Fair Value Measurement Using			
Pool	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	External Government Investment Pools
Commercial Paper	$ 10,003,715	$	$ 10,003,715	$	$
Corporate and Deposit Notes	83,814		83,814		
Los Angeles County Securities	24,460			24,460	
Negotiable Certificates of Deposit	1,949,974		1,949,974		
U.S. Agency Securities	18,157,404		18,157,404		
U.S. Treasury Securities:					
U.S. Treasury Notes	242,641		242,641		
U.S. Treasury Bills	1,089,377		1,089,377		
Total Investments	$ 31,551,385	$	$ 31,526,925	$ 24,460	$
SPI					
Local Agency Investment Fund	$ 41,145	$	$	$	$ 41,145
Los Angeles County Securities	4,241			4,241	
Negotiable Certificates of Deposit	49,801		49,801		
U.S. Agency Securities	63,251		63,251		
Total Investments	$ 158,438	$	$ 113,052	$ 4,241	$ 41,145
Other Specific Investments					
U.S. Treasury Bills	$ 301	$	$ 301	$	$
Total Investments	$ 301	$	$ 301	$	$

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

As permitted by the Government Code, the County Treasurer developed, and the Board adopted, an Investment Policy that further defines and restricts the limits within which the County Treasurer may invest. The table below identifies the investment types that are authorized by the County, along with the related concentration of credit limits:

	Maximum Maturity		Maximum Percentage of Portfolio		Maximum Investment In One Issuer		Minimum Rating	
Authorized Investment Type	**Gov. Code**	**Pool Policy**	**Gov. Code**	**Pool Policy**	**Gov. Code**	**Pool Policy**	**Gov. Code**	**Pool Policy**
U. S. Treasury Notes, Bills and Bonds	5 years	None (1)	None	None	None	None	None	None
U.S. Agency Securities	5 years	None (1)	None	None	None	None	None	None
Local Agency Obligations	5 years	5 years (2)	None	10%*	None	10%*	None	None (2)
Asset-Backed Securities	5 years	5 years	20%	20%	None	$750 million*	AA	AA (3)
Bankers' Acceptances	180 days	180 days	40%	40%	30%	$750 million*	None	A-1/P-1/F1*
Negotiable Certificates of Deposit (4)	5 years	3 years*	30%	30%	None	$750 million*	None	A-1/P-1/F1*
Commercial Paper	270 days	270 days	40%	40%	10%	$1.5 billion*	A-1	A-1/P-1/F1
Corporate and Medium-Term Notes (5)	5 years	3 years*	30%	30%	None	$750 million*	A	A-1/P-1/F1*
LAIF	N/A	N/A	None	$65 million (6)*	None	None	None	None
Money Market Mutual Funds	N/A	N/A	20%	15%*	10%	10%	AAA	AAA
Repurchase Agreements	1 year	30 days*	None	$1 billion*	None	$500 million*	None	None
Reverse Repurchase Agreements	92 days	92 days	20%	$500 million (7)*	None	$250 million*	None	None
Forwards, Futures, and Options	N/A	90 days*	None	$100 million*	None	$50 million*	None	A*
Interest Rate Swaps	N/A	None	None	None	None	None	A	A
Securities Lending Agreements	92 days	92 days	20%	20% (7)	None	None	None	None
Supranationals	5 years	5 years	30%	30%	None	None	AA	AA

1. Pursuant to the California Government Code 53601, the Board granted authority to make investments in U.S. Treasury Notes, Bills and Bonds, and U.S. Agency Securities that have maturities beyond 5 years.
2. Any obligation issued or caused to be issued on behalf of other County affiliates must have a minimum rating of "A3" (Moody's) or "A-" (S&P or Fitch) and the maximum maturity is limited to thirty years. Any short- or medium-term obligation issued by the State of California or a California local agency must have a minimum rating of "MIG-1" or "A2" (Moody's) or "SP-1" or "A" (S&P) and the maximum maturity is limited to 5 years.
3. All Asset-Backed securities must be rated at least "AA" and the issuer's corporate debt rating must be at least "A".
4. Euro Certificates of Deposit are further restricted to a maximum maturity of one year and a maximum percentage of portfolio of 10%.
5. Floating Rate Notes are further restricted to a maximum maturity of five years, maximum of 10% of the portfolio, and maximum investment in one issuer of $750 million. The maximum maturity may be seven years, provided that the Board's authorization to exceed maturities in excess of five years is in effect, of which $100 million par value may be greater than five years to maturity.
6. The maximum percentage of the portfolio is based on the investment limit established by LAIF for each account, not by Pool Policy. Bond proceeds are considered a one-time deposit, have no maximum deposit amount, and are maintained on thirty-day increments.
7. The maximum par value is limited to a combined total of reverse repurchase agreements and securities lending agreements of 20% of the base value of the portfolio.

*Represents restriction in which the County's Investment Policy is more restrictive than the California Government Code.

5. CASH AND INVESTMENTS-Continued

County Investment Pool-Continued

A summary of investments held by the Pool at June 30, 2018 is as follows (dollars in thousands):

Pool	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Commercial Paper	$ 10,003,715	$ 10,004,830	1.82% - 2.35%	07/02/18 - 10/03/18	0.06
Corporate and Deposit Notes	83,814	84,242	2.00% - 2.42%	05/15/19 - 11/09/20	1.42
Los Angeles County Securities	24,460	25,000	2.06% - 2.62%	06/30/19 - 06/30/20	1.80
Negotiable Certificates of Deposit	1,949,974	1,950,006	1.86% - 2.74%	07/02/18 - 03/27/20	0.41
U.S. Agency Securities	18,157,404	18,576,530	0.73% - 8.00%	08/20/18 - 05/29/24	2.77
U.S. Treasury Securities:					
U.S. Treasury Notes	242,641	248,742	0.75% - 1.13%	10/31/18 - 09/30/21	2.02
U.S. Treasury Bills	1,089,377	1,090,665	1.26% - 2.24%	09/13/18 - 06/20/19	0.46
Total	$ 31,551,385	$ 31,980,015			1.66

The unrealized loss on investments held in the Pool was $428,630,000 as of June 30, 2018. This amount takes into account all changes in fair value that occurred during the year. The method used to apportion the unrealized loss was based on a prorata share of each funds' cash balance as of June 30, 2018 relative to the County Pool balances. A separate financial report is issued for the Pool for the year ended June 30, 2018.

Specific Purpose Investments and Other Specific Investments

A summary of investments held by the SPI and Other Specific Investments at June 30, 2018 is as follows (dollars in thousands):

SPI	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
Local Agency Investment Fund	$ 41,145	$ 41,222			0.53
Los Angeles County Securities	4,241	4,045	5.00%	12/02/27	9.43
Negotiable Certificates of Deposit	49,801	50,000	1.77% - 2.05%	12/28/18 - 06/24/19	0.74
U.S. Agency Securities	63,251	67,669	1.5% - 3.27%	07/27/21 - 12/26/41	14.63
Total	$ 158,438	$ 162,936			6.71

5. CASH AND INVESTMENTS-Continued

Specific Purpose Investments and Other Specific Investments-Continued

Other Specific Investments	Fair Value	Principal	Interest Rate Range	Maturity Range	Weighted Average Maturity In Years
U.S. Treasury Bills	$ 301	$ 301	2.03%	11/29/18	0.42

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's Investment Policy limits most investment maturities to less than five years, with the exception of U.S. Treasury Notes, Bills, and Bonds and U.S. Agency Securities, which may have maturities beyond five years. The County Treasurer manages the Pool and mitigates exposure to declines in fair value by generally investing in short-term investments with maturities of six months or less and by holding all investments to maturity.

The Treasurer manages the Pool's exposure to declines in fair value by limiting its weighted average maturity target to a range between 1.0 and 2.0 years, in accordance with the Investment Policy. For purposes of computing weighted average maturity, the maturity date of variable-rate notes is the stated maturity.

The balance of the Pool's investments at June 30, 2018 is $31.551 billion, of which 45.00% will mature in six months or less. Of the remainder, 46.93% have a maturity of more than one year. At June 30, 2018, the weighted average maturity in years for the Pool was 1.66.

The California Government Code and the Investment Policy allow the Treasurer to purchase floating rate notes, that is, any instruments that have a coupon interest rate that is adjusted periodically due to changes in a base or benchmark rate. The Investment Policy limits the amount invested in floating rate notes to 10% of the Pool portfolio. The Investment Policy prohibits the purchase of inverse floating rate notes and hybrid or complex structured investments and for the year ended June 30, 2018, there were none.

At June 30, 2018, the Pool contained floating rate notes at fair value of $164.74 million (0.52% of the Pool.) The notes are tied to one-month and three-month London Interbank Offered Rate (LIBOR) with monthly and quarterly coupon resets. The fair value of variable securities is generally less susceptible to changes in value than fixed rate securities because the variable-rate coupon resets back to the market rate on a periodic basis. There were no variable rate notes in the SPI and Other Specific Investments.

Fair value fluctuates with interest rates, and increasing interest rates could cause fair value to decline below original cost. County management believes the liquidity in the portfolios is adequate to meet cash flow requirements and to preclude the County from having to sell investments below original cost for that purpose.

5. CASH AND INVESTMENTS-Continued

Custodial Credit Risk

Custodial credit risk for investments is the risk that the Treasurer will not be able to recover the value of investment securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Treasurer and are held by either the counterparty, or the counterparty's trust department or agent but not in the Treasurer's name. At year-end, all Pool, SPI and Other Specific Investment securities, except for the Rancho Palos Verdes Redevelopment Agency Tax Allocation Bond (Bond), Bond Anticipation Notes (BANs) and LAIF, were either held by the Treasurer or by the custodian bank in the name of the Treasurer. The Bond and the BANs were held in the Treasurer's vault and are recorded in the Los Angeles County Securities line item. The LAIF investments were managed by the State of California and the County is considered a pool participant.

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer, or other counterparty to an investment, will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The County mitigates these risks by holding a diversified portfolio of high quality investments.

The Investment Policy establishes acceptable credit ratings for investments from any two Nationally Recognized Statistical Rating Organizations (NRSRO). For an issuer of short-term debt, the rating must be no less than A-1 (S&P) or P-1 (Moody's), and F-1 (Fitch) while an issuer of long-term debt shall be rated no less than an "A." All investments purchased during the year ended June 30, 2018 met the credit rating criteria in the Investment Policy, at the issuer level. However, while the NRSROs did rate the issuer of the investments purchased, the NRSRO did not, in all instances, rate the investment itself (e.g., commercial paper, bankers' acceptances, corporate and deposit notes, negotiable certificates of deposit, and U.S. Treasury bills, bonds and notes). Accordingly, for purposes of reporting the credit quality distribution of investments, some investments are reported as not rated.

The Investment Policy also permits investments in LAIF, pursuant to California Government Code Section 16429.1. At June 30, 2018, a portion of the SPI was invested in LAIF, which is unrated as to credit quality.

The Pool and SPI had the following U.S. Agency and commercial paper securities in a single issuer that represent 5% or more of total investments at June 30, 2018 (dollars in thousands):

5. CASH AND INVESTMENTS-Continued

Credit Risk and Concentration of Credit Risk-Continued

Issuer	Pool		SPI	
	Fair Value	% of Portfolio	Fair Value	% of Portfolio
Federal Home Loan Bank	$ 4,897,552	15.52%	$ 34,066	21.50%
Federal Home Loan Mortgage Corporation	4,892,743	15.51%		
Federal Farm Credit Bank	4,791,949	15.19%	21,849	13.79%
Federal National Mortgage Association	3,550,340	11.25%		
Wells Fargo Bank, NA CD			24,950	15.75%
Rabobank Nederland NY CD			24,851	15.69%

The following is a summary of the credit quality distribution and concentration of credit risk by investment type as a percentage of each portfolio's fair value at June 30, 2018:

Pool	S&P	Moody's	Fitch	% of Portfolio
Commercial Paper	Not Rated	P-1	Not Rated	28.44%
	Not Rated	Not Rated	Not Rated	3.26%
Corporate and Deposit Notes	AA-	Aa3	AA-	0.06%
	AA-	A1	AA-	0.08%
	AA-	Aa3	Not Rated	0.12%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	0.08%
Negotiable Certificates of Deposits	AA-	Aa3	Not Rated	0.32%
	Not Rated	P-1	Not Rated	2.69%
	Not Rated	Not Rated	Not Rated	3.17%
U.S. Agency Securities	AA+	Aaa	AAA	39.83%
	AA+	Aaa	F1+	0.07%
	AA+	Aaa	Not Rated	15.71%
	AA+	Not Rated	AAA	1.30%
	Not Rated	Aaa	AAA	0.23%
	AA+	WR	Not Rated	0.08%
	Not Rated	Not Rated	AAA	0.34%
U.S. Treasury Securities:				
U.S. Treasury Notes	Not Rated	Aaa	AAA	0.77%
U.S. Treasury Bills	Not Rated	Not Rated	F1+	3.45%
				100.00%
SPI				
Local Agency Investment Fund	Not Rated	Not Rated	Not Rated	25.97%
Los Angeles County Securities	Not Rated	Not Rated	Not Rated	2.68%
Negotiable Certificates of Deposits	Not Rated	P-1	Not Rated	15.68%
	Not Rated	Not Rated	Not Rated	15.75%
U.S Agency Securities	AA+	Aaa	AAA	18.42%
	AA+	Aaa	Not Rated	21.50%
				100.00%
Other Specific Investments				
U.S. Treasury Bills	Not Rated	Not Rated	F1+	100.00%
				100.00%

5. CASH AND INVESTMENTS-Continued

Reverse Repurchase Agreements

The California Government Code permits the County Treasurer to enter into reverse repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the broker-dealer a margin against a decline in the fair value of the securities. If the broker-dealer defaults on the obligation to resell these securities to the County or provide securities or cash of equal value, the County would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest.

The County's investment guidelines limit the maximum par value of reverse repurchase agreements to $500,000,000 and proceeds from reverse repurchase agreements may only be reinvested in instruments with maturities at or before the maturity of the reverse repurchase agreement. During the fiscal year, the County did not enter into any reverse repurchase agreements.

Securities Lending Transactions

For the year ended June 30, 2018, the Los Angeles County Pool did not enter into any securities lending transactions.

Cash and Investments - Held by Outside Trustees

NPC and JPAs have been established for the purpose of rendering assistance to the County to refinance, acquire, construct, improve, lease and sell properties and equipment, including the construction of buildings, and purchase of equipment, land, and any other real or personal property, for the benefit of County residents, through the issuance of bonds, certificates of participation notes (COPs) and commercial paper.

The NPC and JPAs’ cash is invested with the outside trustees. Investment practices are governed by the County’s Investment Procedures and Guidelines, established pursuant to the California Government Code and the Los Angeles County Board of Supervisors’ action.

Investments are stated at fair value. There were no deposits held by outside trustees as of June 30, 2018. A total of $114.30 million of investments held by outside trustees are invested in the County’s investment pool. In addition, the outside trustees invested $49.60 million outside of the County’s investment pool.

5. CASH AND INVESTMENTS-Continued

Cash and Investments - Held by Outside Trustees-Continued

The following is a summary of deposits and investments held by outside trustees as of June 30, 2018 (dollars in thousands):

	Amortized Cost	Principal	Interest Rate % Range	Maturity Range	Weighted Average Maturity (Years)
Money market mutual funds	$49,601	$49,601	0.25% - 2.56%	07/01/18	0.00

The following is a summary of the credit quality distribution and concentration of credit risk as of June 30, 2018:

Other Investments	S&P	Moody's	Fitch	% of Portfolio
Money Market Mutual Funds	Not Rated	Not Rated	Not Rated	100.00%

LACERA Investment Portfolio

Narratives and tables presented for the Pension and OPEB Trust funds managed by the LACERA are taken directly from LACERA's Report on Audited Financial Statements for the year ended June 30, 2018 (certain terms have been modified to conform with the County's CAFR presentation). The custodial credit risk, credit risk, concentration of credit risk, interest rate risk, and foreign currency risk related to Pension and OPEB Trust Funds investments are different than the corresponding risk on investments held by the County Treasurer. Detailed deposit and investment risk disclosures are included in Note G, Note I and the fair value measurement disclosures are included in Note P of the LACERA's audited financial statements.

Deposits-Custodial Credit Risk

Pension and OPEB Trust Funds investments are reported at fair value at June 30, 2018, (in thousands) and are as follows:

	Fair Value
Cash collateral on loaned securities	$ 1,191,235
Short-term investments	1,795,345
Domestic and international equity	26,117,827
Fixed income	16,307,549
Real estate*	6,423,319
Private equity	5,929,098
Hedge funds	1,592,126
Total	$ 59,356,499

* Refer to Note J of LACERA's Report on Audited Financial Statements for year ended June 30, 2018, for additional discussion on special purpose entities.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Deposits-Custodial Credit Risk-Continued

The Pension and OPEB Trust Funds also had deposits with the Los Angeles County Pool at June 30, 2018 totaling $94,986,000. The Pension and OPEB Trust Funds portfolio contained no concentration of investments in any one organization (other than those issued or guaranteed by the U.S. Government) that represents 5% or more of total investments or plan net position.

Deposit and Investment Risks

The County Employees Retirement Law of 1937 (CERL) vests the Board of Investments (BOI) with exclusive control over LACERA's investment portfolio. The BOI established an Investment Policy Statement. BOI members exercise authority and control over the management of LACERA's Net Position Restricted for Benefits by setting policy that the investment staff executes either internally or through the use of prudent external experts.

The Investment Policy Statement encompasses the following:

- U.S. Equity Investment Policy
- Non-U.S. Equity Investment Policy
- Private Equity Investment Policy
- Fixed Income Investment Policy
- Cash and Cash Equivalents Investment Policy
- Real Estate Investment Policy
- Commodities Investment Policy
- Corporate Governance Policy and Principles
- Derivatives Investment Policy
- Emerging Manager Policy
- Manager Monitoring and Review Policy
- Securities Lending Policy
- Placement Agent Policy
- Hedge Fund Policy

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations, causing the investment to decline in value. LACERA seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the Pension and OPEB plans at an acceptable level of risk within this asset class. To control credit risk, credit quality guidelines have been established.

The majority of the Core, Core Plus, and High Yield portfolios use the following guidelines in terms of credit quality.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Domestic Fixed Income Core and Core Plus Portfolios

A minimum of 80 percent and 70 percent of Core and Core Plus portfolios, respectively, must be invested in securities rated investment-grade by the major credit rating agencies: Moody's Investors Service (Moody's), Standard & Poor's (S&P), and Fitch Ratings (Fitch).

In addition:
- Money market instruments must be rated at least A-2/P-2 or equivalent by at least one major credit rating agency.
- All rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Unrated issues may be purchased provided, in the judgment of the Investment Manager, they would not violate LACERA's minimum credit quality criteria.
- Unrated issues and securities rated BBB+, BBB, or BBB- by S&P or equivalent, in combination, may represent up to 30 percent of the portfolio.

Domestic High-Yield Fixed Income Portfolios

By definition, high-yield bonds are securities rated below investment grade. Therefore, the majority of bonds in the high-yield portfolios are rated below investment grade by at least one of the major credit rating agencies: Moody's, S&P, and Fitch.

In addition:
- Money market instruments must be rated at least A-2/P-2 or equivalent by at least one major credit rating agency.
- At least 95 percent of all rated securities, including Rule 144A securities, must be rated at least B- by S&P or equivalent by at least one major credit rating agency at the time of purchase.
- Consistent with the preceding requirement, a maximum of 5 percent of the portfolio may be invested in issues rated below B- by S&P or equivalent; however, these issues must be rated at least CCC by S&P or Caa by Moody's.
- Unrated issues may be purchased provided, in the judgment of the Investment Manager, they would not violate LACERA's minimum credit criteria.

LACERA's Opportunistic Credit portfolios allow for the assumption of more credit risk than other fixed income portfolios, by investing in securities which include unrated bonds, bonds rated below investment grade issued by corporations undergoing financial stress or distress, junior tranches of structured securities backed by residential and commercial mortgages, and bank loans. LACERA utilizes specific investment guidelines for these portfolios that limit maximum exposure by issuer, industry, and sector, which result in well-diversified portfolios.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Domestic High-Yield Fixed Income Portfolios-Continued

The following is a schedule as of June 30, 2018 of the credit quality ratings by Moody's, a nationally recognized statistical rating organization, of investments in fixed income securities. Whole loan mortgages included in the Pension Plan portfolio of $33 million are excluded from this presentation.

Credit Quality Ratings of Investments in Fixed Income Securities - Pension Plan
As of June 30, 2018
(dollars in thousands)

Quality Ratings	U.S. Treasuries	U.S. Govt. Agencies	Municipals	Corporate Debt/Credit Securities	Pooled Funds	Non U.S. Fixed Income	Private Placement Fixed Income	Total	Percentage of Portfolio
Aaa	$ 1,708,192	$ 1,837,787	$ 10,219	$ 604,685	$	$ 22,367	$ 318,025	$ 4,501,275	28%
Aa			24,870	328,302	318,126	3,984	89,899	765,181	5%
A			8,548	785,183		42,360	312,151	1,148,242	7%
Baa		2,629	22,215	1,340,291	39,344	3,496	384,078	1,792,053	11%
Ba				555,357		22,016	228,823	806,196	5%
Bbb				13,752		374	22,990	37,116	0%
Bb				14,231			26,626	40,857	0%
B			90	642,681	30,624	30,367	416,897	1,120,659	7%
Caa				235,942		6,787	104,431	347,160	2%
Ca				37,970			845	38,815	0%
Ccc				4,527			504	5,031	0%
Cc				1,999				1,999	0%
C			1,272	156			195	1,623	0%
D				187			1,039	1,226	0%
NR		1,743	7,144	205,137	4,913,260	5,843	161,177	5,294,304	33%
Total Investment in Fixed Income Securities - Pension Plan	$ 1,708,192	$ 1,842,159	$ 74,358	$ 4,770,400	$ 5,301,354	$ 137,594	$ 2,067,680	$ 15,901,737	100%

Credit Quality Ratings of Investments in Fixed Income Securities - OPEB Trust
As of June 30, 2018
(dollars in thousands)

Quality Ratings	U.S. Treasuries	Corporate Debt/ Credit Securities	Pooled Investments	Total	Percentage of Portfolio
Aaa	$ 991	$ 983	$	$ 1,974	1%
Aa		1,563		1,563	0%
A		6,827		6,827	2%
NR		444	362,154	362,598	97%
Total Investment in Fixed Income Securities - OPEB Trust	$ 991	$ 9,817	$ 362,154	$ 372,962	100%

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Custodial Credit Risk

LACERA's contract with its primary custodian State Street Bank and Trust (Bank) provides that the Bank may hold LACERA's securities registered in the Bank's or its agent's nominee name, in bearer form, book-entry form, with a clearing house corporation, or with a depository, so long as the Bank's records clearly indicate that the securities are held in custody for LACERA's account. The Bank may also hold securities in custody in LACERA's name when required by LACERA. When held in custody by the Bank, the securities are not at risk of loss in the event of the Bank's financial failure, because the securities are not property (assets) of the Bank. Cash invested overnight in the Bank's depository accounts is subject to the risk that in the event of the Bank's failure, LACERA might not recover all or some of its deposits. This risk is mitigated when the overnight deposits are insured or collateralized.

LACERA's policy as incorporated in its current contract with the Bank requires the Bank to certify it has taken all steps to assure all LACERA monies on deposit with the Bank are eligible for and covered by "pass-through insurance," in accordance with applicable law and FDIC rules and regulations. The steps taken by the Bank include paying deposit insurance premiums when due, maintaining a "prompt corrective action" capital category of "well capitalized," and identifying on the Bank's records that it acts as a fiduciary for LACERA with respect to the monies on deposit. In addition, the Bank is required to provide evidence of insurance and to maintain a Financial Institution Bond, which would cover the loss of money and securities with respect to any and all property the Bank or its agents hold in or for LACERA's account, up to the amount of the bond. To implement certain investment strategies, some of LACERA's assets are invested in investment managers' pooled vehicles. The securities in these vehicles may be held by a different custodian other than State Street Bank and Trust.

Counterparty Risk

Counterparty risk for investments is the risk that, in the event of the failure of the counterparty to complete a transaction, LACERA would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. LACERA and its managers seek to minimize risk of loss from its counterparties by diversifying the number of counterparties, periodically reviewing their credit quality and seeking to structure agreements so that collateral is posted on accrued gains if they reach certain size thresholds.

Concentration of Credit Risk

No more than 5 percent of the Core, Core Plus, or High-Yield portfolios may be invested in securities of a single issuer, except: U.S. Treasury securities, government-guaranteed debt (including G-7 countries), agency debt, agency mortgage-backed securities, and approved commingled funds.

As of June 30, 2018, LACERA did not hold any investments in any one issuer that would represent 5 percent or more of the Pension Plan Fiduciary Net Position nor the OPEB Trust Fiduciary Net Position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk

Interest rate risk is the risk that the changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage interest rate risk, the modified adjusted duration of the Domestic Fixed Income Core, Core Plus, and High-Yield portfolios is restricted to +/- 25.0 percent of the duration of the portfolios' respective benchmarks. Deviations from any of the stated guidelines require prior written authorization from LACERA.

The Duration in Fixed Income Securities - Pension Plan schedule for the year ended June 30, 2018 presents the duration by investment type. Whole loan mortgages included in the Pension Plan portfolio of $33 million are excluded from this presentation.

Duration in Fixed Income Securities - Pension Plan
As of June 30, 2018
(dollars in thousands)

Investment Type		Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasury, U.S. Government Agency and Municipal Instruments:			
U.S. Treasury	$	1,708,192	7.18
U.S. Government Agency		1,842,159	0.19
Municipal / Revenue Bonds		74,358	9.06
Subtotal U.S. Treasury, U.S. Government Agency and Municipal Instruments		3,624,709	
Corporate Bonds and Credit Securities:			
Asset-Backed Securities		416,958	0.73
Commercial Mortgage-Backed Securities		261,819	2.89
Corporate and Other Credit		4,083,686	0.46
Fixed Income Swaps and Options		7,936	N/A
Pooled Funds		5,301,355	N/A
Subtotal Corporate Bonds and Credit Securities		10,071,754	
Non-U.S. Fixed Income		137,594	3.65
Private Placement Fixed Income		2,067,680	3.47
Subtotal Non-U.S. and Private Placement Securities		2,205,274	
Total Fixed Income Securities - Pension Plan	$	15,901,737	

*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a modified duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Interest Rate Risk-Continued

Duration in Fixed Income Securities - OPEB Trust
As of June 30, 2018
(dollars in thousands)

Investment Type		Fair Value	Portfolio Weighted Average Effective Duration*
U.S. Treasury Instruments:			
U.S. Treasury	$	991	0.55
Subtotal U.S. Treasury Instruments		991	
Corporate Bonds and Credit Securities:			
Asset-Backed Securities		1,427	0.24
Corporate and Other Credit		8,390	3.16
Pooled Investments		362,154	N/A
Subtotal Corporate Bonds and Credit Securities		371,971	
Total Fixed Income Securities - OPEB Trust	$	372,962	

*Effective Duration is a measure of a bond's sensitivity to interest rates. It is calculated as the percentage change in a bond's price caused by a change in the bond's yield. For example, a modified duration of 5 indicates that a 1 percent increase in a bond's yield will cause the bond price to decline 5 percent.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. LACERA’s authorized managers are permitted to invest in approved countries or regions, as stated in their respective investment guidelines. To mitigate foreign currency risk, LACERA has implemented a passive currency hedging program, which hedges into U.S. dollars approximately 50 percent of LACERA’s foreign currency exposure for developed market equities.

The following schedule represents LACERA’s exposure to foreign currency risk in U.S. dollars. LACERA is invested in several non-U.S. commingled funds. This means LACERA owns units of commingled funds, and the fund holds the actual securities and/or currencies. The values shown include LACERA’s pro rata portion of non-U.S. commingled fund holdings.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Investment Securities at Fair Value - Pension Plan
As of June 30, 2018
(in thousands)

Currency	Equity	Fixed Income	Foreign Currency	Real Estate Commingled Funds	Private Equity Investments	Forward Contracts	Total
AFRICA							
Ghana New Cedi	$ 2,402	$	$	$	$	$	$ 2,402
Kenyan Shilling	3,586						3,586
Moroccan Dirham	3,390						3,390
Nigerian Naira	16,818						16,818
South African Rand	206,894		153				207,047
AMERICAS							
Argentine Peso	1,721	2,136	428			26	4,311
Brazilian Real	173,126	(34)	81				173,173
Canadian Dollar	839,897	555	(111)			10,729	851,070
Chilean Peso	30,462						30,462
Colombian Peso	13,625		1				13,626
Mexican Peso	94,675	39,999	2,419			55	137,148
Peruvian New Sol	12,401						12,401
Uruguayan Peso		3,406					3,406
ASIA							
Australian Dollar	567,221	3,714	4,015			11,930	586,880
Chinese Renminbi	122,583						122,583
Hong Kong Dollar	1,016,518		2,952			219	1,019,689
Indian Rupee	315,667						315,667
Indonesian Rupiah	52,087		20				52,107
Japanese Yen	2,046,373	423	16,857			37,477	2,101,130
Malaysian Ringgit	58,547		296				58,843
New Taiwan Dollar	272,839						272,839
New Zealand Dollar	18,189	227	56			609	19,081
Pakistan Rupee	1,851						1,851
Philippine Peso	21,580		1				21,581
Singapore Dollar	176,918		3,783			2,380	183,081
South Korean Won	502,754		515				503,269
Thai Baht	85,664		9				85,673
Vietnamese Dong	32,888						32,888
EUROPE							
British Pound Sterling	1,671,247	13,646	2,260	1,899	25,792	45,412	1,760,256
Czech Republic Koruna	2,213						2,213
Danish Krone	148,938	22,140				4,866	175,944
Euro	2,765,040	47,163	6,485	191,811	278,346	35,273	3,324,118
Hungarian Forint	11,197						11,197
Norwegian Krone	85,919		5			1,584	87,508
Polish Zloty	25,529		233				25,762
Romanian New Leu	8,686						8,686
Russian Ruble	83,826	5,578	42				89,446
Swedish Krona	281,171		30			10,158	291,359
Swiss Franc	641,643					8,361	650,004
MIDDLE EAST							
Egyptian Pound	7,509						7,509
Israeli New Shekel	59,323					828	60,151
Lebanese Pound	1,124						1,124
Qatari Rial	12,422		31				12,453
Saudi Riyal	4,058						4,058
Turkish Lira	59,738		248				59,986
UAE Dirham	11,966						11,966
Total Investment Securities Subject to Foreign Currency Risk - Pension Plan	$ 12,572,225	$ 138,953	$ 40,809	$ 193,710	$ 304,138	$ 169,907	$ 13,419,742

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Non-U.S. Investment Securities at Fair Value - OPEB Trust
As of June 30, 2018
(in thousands)

Currency		Equity
AFRICA		
South African Rand	$	3,334
AMERICAS		
Brazilian Real		2,969
Canadian Dollar		14,114
Chilean Peso		594
Colombian Peso		228
Mexican Peso		1,553
Peruvian New Sol		183
ASIA		
Australian Dollar		10,095
Chinese Renminbi		15,941
Hong Kong Dollar		4,933
Indian Rupee		4,887
Indonesian Rupiah		1,005
Japanese Yen		36,587
Malaysian Ringgit		1,279
New Taiwan Dollar		6,532
New Zealand Dollar		457
Pakistan Rupee		91
Philippine Peso		503
Singapore Dollar		1,918
South Korean Won		7,856
Thai Baht		1,188
EUROPE		
British Pound Sterling		26,355
Czech Republic Koruna		91
Danish Krone		2,512
Euro		45,905
Hungarian Forint		137
Norwegian Krone		1,325
Polish Zloty		594
Russian Ruble		1,690
Swedish Krona		4,339
Swiss Franc		10,551
MIDDLE EAST		
Egyptian Pound		137
Israeli New Shekel		1,051
Qatari Rial		411
Turkish Lira		411
UAE Dirham		320
Total Investment Securities Subject to Foreign Currency Risk - OPEB Trust	$	212,076

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program

The Board of Investments' policies authorize LACERA to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower), and in turn, LACERA receives cash and non-cash as collateral. LACERA pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower.

LACERA's securities lending program is managed by two parties: LACERA's custodian bank, State Street Bank and Trust, and a third-party lending agent, Goldman Sachs Agency Lending (GSAL). State Street Bank and Trust lends LACERA's non-U.S. equities, U.S. Treasury, and U.S. Agency securities. GSAL lends LACERA's U.S. equities and corporate bonds. Collateralization is set on non-U.S. loans at 105 percent and on U.S. loans at 102 percent of the market value of securities on loan.

State Street Global Advisors invests the collateral received from both lending programs. The collateral is invested in short-term highly liquid instruments. The maturities of the investments made with cash collateral typically do not match the maturities of their securities loans. Loans are marked-to-market daily, so that if the market value of a security on loan rises, LACERA receives additional collateral. Conversely, if the market value of a security on loan declines, then the borrower receives a partial return of the collateral. Earnings generated in excess of the interest paid to the borrowers represent net income. LACERA shares this net income with the two lending agents based on contractual agreements.

Under the terms of their lending agreements, both lending agents provide borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle LACERA to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities" when loaned securities are not returned. LACERA does not have the ability to pledge assets received as collateral without a borrower default. In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent is liable to LACERA for the difference, plus interest. Either LACERA or the borrower of the security can terminate a loan on demand.

At fiscal year-end, LACERA had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. As of June 30, 2018, there were no known violations of legal or contractual provisions. LACERA had no losses on securities lending transactions resulting from the default of a borrower for the year ended June 30, 2018.

As of June 30, 2018, the fair value of securities on loan was $1.552 billion, with a value of cash collateral received of $1.191 billion, which is included in Other payables on the financial statements, and non-cash collateral of $425.62 million. LACERA's income, net of expenses from securities lending, was $5.68 million for the year ended June 30, 2018.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Securities Lending Program-Continued

Securities Lending
As of June 30, 2018
(in thousands)

Securities on Loan	Fair Value of Securities on Loan	Cash Collateral Received	Non-Cash Collateral Received
U.S. Equities	$ 255,378	$ 262,055	$
U.S. Fixed Income	1,230,315	913,980	369,603
Non-U.S. Equities	66,789	15,200	56,016
Total	$ 1,552,482	$ 1,191,235	$ 425,619

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. These investments are disclosed in the following table:

Interest Rate Risk Analysis
As of June 30, 2018
(dollars in thousands)

				Investment Maturities (in years)				
Investment Type	Notional Value (Dollar)	Notional Shares Units	Fair Value	Less Than 1	1 - 5	6 - 10	More than 10	No Maturity
Credit Default Swaps Bought	$ 132,245		$ (8,310)	$	$ (8,310)	$	$	$
Credit Default Swaps Written	41,146		1,018	(1)	989	28	2	
Fixed Income Futures Long		1,421,312						
Fixed Income Futures Short		(528,379)						
Fixed Income Options Bought		539,280	4,326	1,354	2,972			
Fixed Income Options Written		(451,027)	(5,136)	(1,472)	(3,654)		(10)	
Pay Fixed Interest Rate Swaps	900,285		20,169		7,044	9,209	3,916	
Receive Fixed Interest Rate Swaps	204,058		(2,523)		(2,430)	(81)	(12)	
Total Return Swaps Bond	64,670		519	519				
Total Return Swaps Equity	(519,127)		(1,671)	(1,796)	125			
Total	$ 823,277	981,186	$ 8,392	$ (1,396)	$ (3,264)	$ 9,156	$ 3,896	$

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Hedge Funds

The hedge fund category of investments is not a separate asset class but is comprised of strategies that may: 1) invest in securities within LACERA's existing asset classes or across multiple asset classes; 2) have an absolute return objective; and 3) include the ability to use specialized techniques, such as leverage and short-selling, and instruments such as derivatives.

LACERA employs two hedge fund of funds managers, Grosvenor Capital Management (GCM) and Goldman Sachs Asset Management (GSAM), with specialized knowledge and expertise to construct four hedge fund portfolios. The hedge fund of fund managers identify, select, implement, and monitor these investment strategies in the portfolios consistent with LACERA's stated objectives, constraints, and Investment Policy Statements.

In September 2011, LACERA began investing in hedge funds with a goal of reducing the volatility of the Pension Trust Fund without materially decreasing Pension Trust Fund returns. This initial investment consisted of a portfolio of hedge funds invested in a diversified strategy managed by GCM.

In December 2012, LACERA began investing in a second portfolio of hedge funds focused on opportunistic credit strategies, also managed by GCM.

In April 2015, LACERA began investing in a third portfolio, managed in a diversified strategy by GSAM. Within this portfolio, LACERA directly invests in underlying fund vehicles, while GSAM maintains discretion over fund selection and overall portfolio development.

In January 2016, LACERA began investing in a fourth portfolio, also focused on opportunistic credit strategies and managed by GCM.

In March 2018, LACERA began investing in a fifth portfolio. This portfolio is identified as the Direct Portfolio because LACERA invests directly in funds that have been approved by LACERA's Board of Investments rather than delegating manager selection to a fund of funds manager.

The three hedge fund portfolios managed by GCM are each structured as a limited partnership in which LACERA is the sole limited partner, and each was created to hold the interests in the underlying hedge funds. GCM serves as General Partner and owns a 0.01 percent stake in each partnership.

Each underlying fund investment in the entire hedge fund program is in an entity legally structured to limit liability for each investor to the capital invested by that investor.

The investment performance for this strategy is measured separately from other asset classes. The fair value of assets invested in hedge funds as of June 30, 2018 was $1.59 billion.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value

For the year ended June 30, 2016, LACERA adopted GASB 72, Fair Value Measurement and Application. GASB 72 was issued to address accounting and financial reporting issues related to fair value measurements and disclosures. LACERA categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles in the United States of America (GAAP). The hierarchy is based on the valuation inputs used to measure the fair value of the securities and assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Certain investments held by LACERA are valued at net asset value (NAV) per share when an investment does not have a readily determined fair value, provided that the NAV is calculated and used as a practical expedient to estimate fair value in accordance with the requirements of GAAP.

Equity and Fixed Income Securities

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by matrix pricing techniques maintained by the various pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt and equity securities classified in Level 3 are securities whose stated market price is unobservable by the marketplace; many of these securities are priced by the issuers or industry groups for these securities. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by LACERA's custodian bank.

Hedge Funds, Private Equity, and Real Estate Funds

Investments in hedge funds, private equity, and real estate funds are valued at estimated fair value, as determined in good faith by the General Partner (GP) in accordance with fair value principles in accordance with GAAP. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the GP. These assets are reported by LACERA based on the practical expedient allowed under GAAP.

Real Estate Investments

Investments in real estate are valued at estimated fair value, as determined in good faith by the Investment Manager. These investments are initially valued at cost with subsequent adjustments that reflect third party transactions, financial operating results, and other factors deemed relevant by the Investment Manager. Properties are subject to independent third party appraisals every three years.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments and Derivatives Measured at Fair Value - Pension Plan
As of June 30, 2018
(in thousands)

Investments by Fair Value Level	Total	Quoted Prices In Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$ 416,958	$	$ 416,958	$
Commercial Mortgage-Backed Securities	261,819		261,819	
Corporate and Other Credit	4,083,686		4,078,272	5,414
Municipal/Revenue Bonds	74,358		74,358	
Non-U.S. Fixed Income	137,594		137,594	
Private Placement Fixed Income	2,067,680	1,104	2,062,720	3,856
U.S. Government Agency	1,842,159		1,841,828	331
U.S. Treasury	1,708,192		1,708,192	
Whole Loan Mortgages	32,850			32,850
Total Fixed Income Securities	10,625,296	1,104	10,581,741	42,451
Equity Securities				
Non-U.S. Equity	2,074,878	2,074,457		421
Pooled Investments	295,080	295,080		
U.S. Equity	13,130,228	13,122,685	3,865	3,678
Total Equity Securities	15,500,186	15,492,222	3,865	4,099
Real Estate	5,498,415			5,498,415
Collateral from Securities Lending	1,191,235		1,191,235	
Total Investments by Fair Value Level	$ 32,815,132	$ 15,493,326	$ 11,776,841	$ 5,544,965
Investments Measured at NAV				
Fixed Income	$ 5,301,354			
Equity	10,160,905			
Hedge Funds	1,592,126			
Private Equity	5,929,098			
Real Estate	827,831			
Total Investments Measured at NAV	23,811,314			
Total Investments	$ 56,626,446			
Derivatives				
Foreign Exchange Contracts	$ 169,907	$	$ 169,907	$
Foreign Fixed Income Derivatives	(2,735)	(251)	(2,484)	
U.S. Equity Derivatives	(88)	49	(137)	
U.S. Fixed Income Derivatives	10,672	(7,477)	18,149	
Total Derivatives	$ 177,756	$ (7,679)	$ 185,435	$

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments Measured at the Net Asset Value
As of June 30, 2018
(dollars in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds (1)	$ 5,301,354	$	Daily, Monthly or Not Eligible	1-60 days or N/A
Commingled Equity Funds (2)	10,160,905	43,431	Daily, Monthly or Not Eligible	1-60 days or N/A
Hedge Funds (3)	1,592,126		Daily, Monthly, Quarterly, Semi-Annual, Annual, Self-Liquidating	5-180 days
Private Equity (4)	5,929,098	3,762,043	Not Eligible	N/A
Real Estate (4)	827,831	335,408	Not Eligible	N/A
Total Investments Measured at the NAV	$23,811,314			

(1) Commingled Fixed Income Funds: 5 fixed income funds are considered commingled in nature. They are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; two of the funds representing seven percent of Commingled Fixed Income assets have liquidity available at the end of the fund terms which range from 3 to 7 years.

(2) Commingled Equity Funds: 13 equity funds are considered commingled in nature. They are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month; three of the funds representing five percent of Commingled Equity assets have liquidity available subject to lock up periods that limit or prohibit redemptions for the next three to four years.

(3) Hedge Funds: LACERA's Hedge Funds portfolio consists of 90 funds. Hedge Fund investments are valued at NAV per share. When considering liquidity terms, seventy-seven percent of the fund assets are available within 12 months; these funds provide daily, monthly, quarterly, semi-annual, or annual liquidity. Some of these funds are subject to redemption notices that extend the time frame to receive redemptions beyond the next twelve months. The remaining twenty-three percent of fund assets are in self-liquidating funds which do not permit voluntary redemption/withdrawals or in funds that offer periodic liquidity that extends beyond the next twelve months.

LACERA's Hedge Funds portfolio invests in the following strategies:
(a) Macro and Tactical Trading, this strategy makes investments based on analyses and forecasts of macroeconomic trends, including governmental and central bank policies, fiscal trends, trade imbalances, interest rate trends, inter-country relations, and economic and technical analysis.
(b) Equity Long/Short, this strategy purchases and/or sells equities based on fundamental and/or quantitative analysis and other factors.
(c) Credit, this strategy includes long-biased credit, long/short credit, structured credit, and mortgage credit.
(d) Relative Value, this strategy's main focus is to benefit from valuation discrepancies that may be present in related financial instruments by purchasing and/or shorting these instruments.
(e) Multi-Strategy, this strategy aims to pursue varying strategies in order to diversify risks and reduce volatility.
(f) Event Driven, this strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event.
(g) Commodities, this strategy invests across the global commodity markets based on an analysis of factors, including supply and demand, legislative and environmental policies, trends in growth rates and resource consumption, global monetary and trade policy, geopolitical events and technical factors.

(4) Private Equity and Real Estate Funds: LACERA's Private Equity portfolio consists of 250 funds, investing primarily in Buyout Funds, with some exposure to Venture Capital, Special Situations. The Real Estate portfolio, comprised of 15 commingled funds, invests in both U.S. and Non-U.S. commercial real estate. The fair values of these funds have been determined using net assets valued at the end of the period and net assets valued one quarter in arrears plus current quarter cash flows. 13 out of 15 funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of 5 to 10 years.

5. CASH AND INVESTMENTS-Continued

LACERA Investment Portfolio-Continued

Fair Value-Continued

Investments Measured at Fair Value - OPEB Trust
As of June 30, 2018
(in thousands)

Investments by Fair Value Level	Total	Quoted prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Fixed Income Securities				
Asset-Backed Securities	$ 1,427	$	$ 1,427	$
Corporate and Other Credit	8,390		8,390	
U.S. Government Agency	94,866	94,866		
U.S. Treasury	991		991	
Total Fixed Income Securities	105,674	94,866	10,808	
Equity Securities				
Pooled Investments	456,824	456,824		
Total Equity Securities	456,824	456,824		
Total Investments by Fair Value Level	$ 562,498	$ 551,690	$ 10,808	$
Investments Measured at Net Asset Value (NAV)				
Fixed Income	$ 267,288			
Real Estate Investment Trust (REIT)	97,073			
Total Investments Measured at NAV	364,361			
Total Investments	$ 926,859			

Investments Measured at Net Asset Value - OPEB Trust
As of June 30, 2018
(dollars in thousands)

	Fair Value	Unfunded Commitments (2)	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Commingled Fixed Income Funds	$ 267,288		Daily, Monthly	1-30 days or N/A
Real Estate Investment Trust (REIT)	97,073		Daily, Monthly	1-30 days or N/A
Total Investments Measured at NAV (1)	$ 364,361			

(1) Commingled Index Funds: The OPEB Master Trust is invested in 8 funds that are considered commingled in nature. They are valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments. Most of the funds are highly liquid within one month.

(2) There are no unfunded commitments in the OPEB Trust. As of June 30, 2018, there was $1.5 million uninvested cash in the OPEB Trust which was deposited into the OPEB cash account and then subsequently invested after month end.

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 is as follows (in thousands):

Governmental Activities	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 2,416,527	38,387		$ 2,454,914
Easements	4,945,935	10,112		4,956,047
Software in progress	22,006	34,378	(38,851)	17,533
Construction in progress-buildings and improvements	329,759	137,969	(163,392)	304,336
Construction in progress-infrastructure	338,960	79,203	(81,744)	336,419
Subtotal	8,053,187	300,049	(283,987)	8,069,249
Capital assets, being depreciated:				
Buildings and improvements	5,604,542	169,503	(40,892)	5,733,153
Equipment	1,610,622	161,058	(83,039)	1,688,641
Software	615,605	42,791	(168,188)	490,208
Infrastructure	7,874,431	57,418	(1,080)	7,930,769
Subtotal	15,705,200	430,770	(293,199)	15,842,771
Less accumulated depreciation for:				
Buildings and improvements	(1,967,889)	(111,931)	17,841	(2,061,979)
Equipment	(1,159,378)	(109,601)	79,118	(1,189,861)
Software	(207,862)	(42,244)	14,966	(235,140)
Infrastructure	(3,995,572)	(158,129)	284	(4,153,417)
Subtotal	(7,330,701)	(421,905)	112,209	(7,640,397)
Total capital assets, being depreciated, net	8,374,499	8,865	(180,990)	8,202,374
Governmental activities capital assets, net	$ 16,427,686	308,914	(464,977)	$ 16,271,623
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 153,058			$ 153,058
Easements	31,578			31,578
Construction in progress-buildings and improvements	232,980	118,797	(2,639)	349,138
Construction in progress-infrastructure	43,431	14,771	(16,119)	42,083
Subtotal	461,047	133,568	(18,758)	575,857
Capital assets, being depreciated:				
Buildings and improvements	2,749,048	3,380	(3,194)	2,749,234
Equipment	354,794	83,100	(25,523)	412,371
Software	58,922			58,922
Infrastructure	1,258,843	9,828		1,268,671
Subtotal	4,421,607	96,308	(28,717)	4,489,198

6. CAPITAL ASSETS-Continued

Business-type Activities-Continued

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Less accumulated depreciation for:				
Buildings and improvements	$ (841,592)	(47,829)	762	$ (888,659)
Equipment	(246,835)	(27,853)	9,390	(265,298)
Software	(35,042)	(3,938)		(38,980)
Infrastructure	(601,316)	(23,548)		(624,864)
Subtotal	(1,724,785)	(103,168)	10,152	(1,817,801)
Total capital assets, being depreciated, net	2,696,822	(6,860)	(18,565)	2,671,397
Business-type activities capital assets, net	3,157,869	126,708	(37,323)	3,247,254
Total capital assets, net	$ 19,585,555	435,622	(502,300)	$ 19,518,877

Depreciation Expense

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:	
General government	$ 36,212
Public protection	166,241
Public ways and facilities	89,863
Health and sanitation	36,236
Public assistance	16,374
Education	4,482
Recreation and cultural services	38,978
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	33,519
Total depreciation expense, governmental activities	$ 421,905
Business-type activities:	
Hospitals	$ 71,484
Waterworks	23,971
Aviation	2,983
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	4,730
Total depreciation expense, business-type activities	$ 103,168

6. CAPITAL ASSETS-Continued

Discretely Presented Component Units

CDC

Capital assets activity for the CDC component unit for the year ended June 30, 2018, was as follows (in thousands):

	Balance July 1, 2017, as restated (Note 2)	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 92,183	264		$ 92,447
Construction in progress-buildings and improvements	1,670	3,520	(309)	4,881
Subtotal	93,853	3,784	(309)	97,328
Capital assets, being depreciated:				
Buildings and improvements	227,654	1,026		228,680
Equipment	9,082	1,540	(267)	10,355
Subtotal	236,736	2,566	(267)	239,035
Less accumulated depreciation for:				
Buildings and improvements	(151,013)	(4,677)		(155,690)
Equipment	(7,618)	(868)	171	(8,315)
Subtotal	(158,631)	(5,545)	171	(164,005)
Total capital assets being depreciated, net	78,105	(2,979)	(96)	75,030
CDC capital assets, net	$ 171,958	805	(405)	$ 172,358

First 5 LA

Capital assets activity for the First 5 LA component unit for the year ended June 30, 2018, was as follows (in thousands):

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated-				
Land	$ 2,039			$ 2,039
Capital assets, being depreciated:				
Buildings and improvements	12,076			12,076
Equipment	2,766	49		2,815
Subtotal	14,842	49		14,891
Less accumulated depreciation for:				
Buildings and improvements	(2,921)	(243)		(3,164)
Equipment	(2,650)	(70)		(2,720)
Subtotal	(5,571)	(313)		(5,884)
Total capital assets being depreciated,net	9,271	(264)		9,007
First 5 LA capital assets, net	$ 11,310	(264)		$ 11,046

7. SERVICE CONCESSION ARRANGEMENTS (SCA)

GASB 60, "Accounting and Financial Reporting for Service Concession Arrangements (SCA)" defines an SCA as a type of public-private or public-public partnership. An SCA is an arrangement, which meets specific criteria under GASB 60, between a government (the transferor) and an operator.

The County determined that golf courses met the criteria set forth in GASB 60 (where the County is the transferor) and therefore included these SCAs in the County's financial statements as deferred inflows of resources. GASB 60 also provides guidance on accounting treatment if the County were acting as an operator of another government's facility. The County has determined that there are no incidences where the County would qualify as an operator.

Golf Courses

The County manages a public golf course system, which offers affordable greens fees, discount programs for senior citizens and students, and a junior golf program. Each golf course is leased under agreement with an operator, which provides for activities such as golf course management, clubhouse operations, and food and beverage concessions. The operators collect user fees and are responsible for the day-to-day operations of the golf courses. The operators are required to operate and maintain the golf courses, and make installment payments to the County, in accordance with their respective contracts.

As of June 30, 2018, the present value of the installment payments under contract is estimated to be $86.63 million and reported as deferred inflows of resources in the statement of net position. The present values of the installment payments were calculated using discount rates of 5.12%, 3.55% and 3.70% for the term of the agreement for each SCA. The lease terms for the twenty golf courses cover remaining periods ranging from 6 years to 21 years as of June 30, 2018. The FY 2017-2018 total monthly installment payments are approximately $670,000. The County primarily uses the proceeds to fund parks and recreation operations, 10% of which is set aside for future golf course capital improvements. The acquisition value of the golf courses, including buildings and land, is reported at $24.87 million as of June 30, 2018.

8. PENSION PLAN

Plan Description

The County pension plan is administered by LACERA, which was established under the CERL. LACERA is a cost-sharing, multi-employer defined benefit plan. It provides benefits to employees of the County and the following additional entities that are not part of the County's reporting entity:

Los Angeles Superior Court
Little Lake Cemetery District
Local Agency Formation Commission
Los Angeles County Office of Education
South Coast Air Quality Management District

New employees of the latter two agencies are not eligible for LACERA benefits.

LACERA issues a stand-alone financial report, which is available at its offices located at Gateway Plaza, 300 N. Lake Avenue, Pasadena, California 91101-4199 or at www.LACERA.com.

8. PENSION PLAN-Continued

Benefits Provided

Benefits are authorized in accordance with the California Constitution, the CERL, the bylaws, and procedures and policies adopted by LACERA's Boards of Retirement and Investments. The Board may also adopt resolutions, as permitted by CERL, which may affect the benefits of LACERA members.

LACERA provides retirement, disability, death benefits and cost of living adjustments to eligible members. Vesting occurs when a member accumulates five years of creditable service under contributory plans or accumulates 10 years of creditable service under the general service non-contributory plan. Benefits are based upon 12 or 36 months' average compensation, depending on the plan, as well as age at retirement and length of service as of the retirement date, according to applicable statutory formula. Vested members who terminate employment before retirement age are considered terminated vested (deferred) members. Service-connected disability benefits may be granted regardless of length of service consideration. Five years of service are required for nonservice-connected disability eligibility according to applicable statutory formula. Members of the non-contributory plan, who are covered under separate long-term disability provisions not administered by LACERA, are not eligible for disability benefits provided by LACERA.

Contributions

LACERA has nine benefit tiers known as A, B, C, D, E and G, and Safety A, B and C. All tiers except E are employee contributory. Tier E is employee non-contributory. Prior to December 31, 2012, new general members were only eligible for tier D or E and new safety members were only eligible for Safety B. As of January 1, 2013, new general employees are only eligible for tier G and new safety members are only eligible for Safety C. These new tiers were added as a result of the California Public Employees' Pension Reform Act of 2013 (PEPRA) and became effective January 1, 2013. Rates for the tiers are established in accordance with State law by LACERA's Boards of Retirement and Investments and the County Board of Supervisors.

The following employer rates were in effect for FY 2017-2018:

July 1, 2017 - September 30, 2017	A	B	C	D	E	G
General Members	24.11%	15.94%	15.32%	16.19%	17.49%	16.07%
Safety Members	32.25%	25.94%	21.93%			

October 1, 2017 - June 30, 2018	A	B	C	D	E	G
General Members	26.06%	17.50%	16.80%	18.17%	19.57%	18.04%
Safety Members	34.45%	27.75%	23.73%			

8. PENSION PLAN-Continued

Contributions-Continued

The rates were determined by the actuarial valuation performed as of June 30, 2016. Some of the assumptions used in the actuarial valuation performed as of June 30, 2016 were updated, including lowering the investment rate of return from 7.50% to 7.25%. The LACERA Board of Investments adopted the recognition of the increase in the calculated employer contribution rates due to the new assumptions over a three year period. As a result, the employer contribution rates used in fiscal year 2017-2018, beginning October 1, 2017, increased by 1.48% to 2.20% over the rates used in fiscal year 2016-2017 and may increase again during the following fiscal year.

Employee rates vary by option and employee entry age from 5% to 16% of their annual covered salary.

During fiscal year 2017-2018, the County contributed the full amount of the Actuarial Determined Contribution, as determined by the actuarial valuations, in the form of semi-monthly cash payments in the amount of $1.466 billion.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the County reported a liability of $10.850 billion for its proportionate share of the net pension liability in accordance with the parameters of GASB 68. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, projected forward to the measurement date, taking into account any significant changes between the valuation date and the measurement date. The County's proportion of the net pension liability was based on a projection of the County's future contribution effort to the pension plan relative to the projected contributions of all Pension Plan participants, actuarially determined. At June 30, 2017, the County's proportionate share was 96.12%, which was a decrease of 0.05% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the County recognized pension expense of $1.402 billion which is reported as $1.163 billion for governmental activities and $0.239 billion for business-type activities. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	$	$ 34,706
Change in assumptions		2,590,314
Change in experience	797,165	
Change in proportion and differences between County contributions and proportionate share of contributions	180,661	227,711
Contributions made subsequent to measurement date		1,466,411
Total	$ 977,826	$ 4,319,142

8. PENSION PLAN-Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-Continued

Deferred outflows of resources and deferred inflows of resources above represent the unamortized portion of changes to net pension liability to be recognized in future periods in a systematic and rational manner in accordance with GASB 68. Investment gains or losses are recognized in pension expense over a five year period and economic/demographic gains or losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members, which is 8 years.

Amounts currently reported as deferred outflows and inflows of resources, other than contributions related to pension, will be recognized in pension expense as follows (in thousands):

	Deferred Outflows/(Inflows) of Resources
Year Ending June 30:	
2019	$ 27,687
2020	750,334
2021	439,511
2022	(252,916)
2023	229,021
Thereafter	681,268

Deferred outflows of $1.466 billion related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

Actuarial Assumptions

Valuation Timing	June 30, 2016, rolled forward to June 30, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.75%
General Wage Growth	3.25%
Projected Salary Increases	3.51% to 11.51%
Investment Rate of Return	7.38%, net of investment expense, including inflation
Cost of Living Adjustments (COLA)	Based on changes in the Consumer Price Index from the previous January 1 to the current January 1, to the nearest 0.50% of 1.00%, limited to a maximum of 3.00%. Supplemental Targeted Adjustment for Retirees (STAR) COLA benefits are assumed to be substantively automatic at the 80% purchasing power level until the STAR reserve is projected to be insufficient to pay further STAR benefits.
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MP2014 Ultimate Projection Scale. See June 30, 2016 actuarial valuation for details. It can be found at www.LACERA.com.
Experience Study	Covers the three year period ended June 30, 2016.

8. PENSION PLAN-Continued

Actuarial Assumptions-Continued

The long-term expected rate of return on pension plan investments (7.25%, net of all expenses) was determined using a building block method in which a median, or expected, geometric rate of return was developed for each major asset class. The median rates were combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentages. The assumptions used reflect a change in the discount rate from 7.63% as of June 30, 2016 to 7.38% as of June 30, 2017.

For the year ended June 30, 2017:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Rate of Return (After Expected 2.75% Inflation Rate) (Geometric)
Global Equity	41.40%	5.70%
Fixed Income	27.80%	2.60%
Real Estate	11.00%	4.60%
Private Equity	10.00%	6.90%
Commodities	2.80%	1.60%
Hedge Funds	5.00%	3.10%
Other Opportunities	0.00%	4.50%
Cash	2.00%	(0.20)%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. This is equal to the 7.25% long-term investment return assumption adopted by LACERA (net of investment and administrative expenses), plus 0.13% assumed administrative expenses. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be sufficient to pay all projected future benefit payments of current active and inactive plan members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses.

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the County's proportionate share of the net pension liability calculated using the discount rate of 7.38%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.38%) or 1-percentage point higher (8.38%) than the current rate (in thousands):

	1% Decrease (6.38%)	Discount Rate (7.38%)	1% Increase (8.38%)
Net Pension Liability	$19,188,603	$10,849,931	$ 3,956,420

8. PENSION PLAN-Continued

Pension Plan Fiduciary Net Position

Detailed information about pension plan fiduciary net position as of June 30, 2017 is available in the separately issued LACERA financial report, which can be found at www.LACERA.com.

Deferred Compensation Plans

The County offers to its employees three deferred compensation plans created in accordance with Sections 401 and 457 of the Internal Revenue Code. One or more of these plans are available to substantially all employees and allow participants to defer a portion of their current income until future years.

Plan Description and Funding Policy

The Deferred Compensation and Thrift Plan was established as a Section 457 defined contribution plan covering employees who have achieved full time and permanent employment status. The Plan is designed to permit these employees to voluntarily defer a portion of their compensation and provide for retirement and death benefits. The plan is funded by employer and employee contributions. As of June 30, 2018, the County provided up to a 4% matching contribution per pay period of the employee's voluntary contribution. Employer and employee contributions are deposited into the participant accounts and invested based on participant selected options. Total employer contributions for the year ended June 30, 2018, were $242.19 million.

The Savings Plan is a Section 401(k) defined contribution plan covering eligible full-time permanent employees of the County not covered by collective bargaining agreements and who desire to participate in the Plan. Employees eligible for voluntary participation in this plan are also eligible for participation in the Deferred Compensation and Thrift Plan. The plan is funded by employer and employee contributions. As of June 30, 2018, the County provided up to a 4% matching contribution per pay period of the employee's voluntary contribution. Employer and employee contributions are deposited into the participant accounts and invested based on participant selected options. Total employer contributions for the year ended June 30, 2018, were $64.56 million.

The Pension Savings Plan is a Section 457 defined contribution plan covering part-time, temporary and seasonal County employees who are not eligible to participate in the retirement programs provided through the LACERA. The Plan was established in lieu of employee coverage under Social Security. Participation in the plan is mandatory and employees must contribute a minimum of 4.5% of their eligible earnings and the County makes a contribution equal to 3% of compensation. Participants may contribute additional amounts beyond the required 4.5%. Total employer contributions for the year ended June 30, 2018, were $7.98 million.

The plans are administered through a third-party administrator. The assets of the plans are held in trust by Wells Fargo Bank, N.A. and invested at the direction of the participants. Thus, plan assets and any related liability to plan participants have been excluded from the County's financial statements.

9. OTHER POSTEMPLOYMENT BENEFITS

Retiree Healthcare

Plan Description

LACERA administers a cost-sharing, multi-employer Retiree Healthcare (RHC) OPEB program on behalf of the County, its affiliated Superior Court, and four outside districts. The outside districts include: Little Lake Cemetery District, Local Agency Formation Commission, Los Angeles County Office of Education and the South Coast Air Quality Management District.

In April 1982, the County of Los Angeles adopted an ordinance pursuant to Government Code Section 31691, which provided for a health insurance program and death benefits for retired employees and their dependents. In 1994, the County amended the agreements to continue to support LACERA's retiree insurance benefits program regardless of the status of active member insurance.

In June 2014, the LACERA Board approved the County's request to modify the agreements to create a new retiree healthcare benefit plan in order to lower its Retiree Healthcare Program (RHP) costs. Structurally, this means the County will be segregating all current retirees and current employees into RHP Tier 1 and placing all employees hired after June 30, 2014 into RHP Tier 2. Under the new RHP Tier 2, retirees who are eligible for Medicare will be required to enroll in that program. In addition, coverage will be available for employees or eligible survivors only.

Pursuant to the 1982, 1994, and 2014 Agreements between the County and LACERA, the parties agreed to the continuation of the health insurance benefits then in existence. The County agreed to subsidize a portion of the insurance premiums of certain retired members and their eligible dependents based on the member's length of service. The County further agreed to maintain the status quo of existing benefits provided to participants. As part of the 2014 Agreement, the County modified the existing healthcare benefit plan, which created a new benefit structure, Tier 2, for all employees hired after June 30, 2014. LACERA agreed not to change retired members' contributions toward insurance premiums or modify medical benefit levels without the County's prior consent. Active employees are not required to make contributions to the plan.

Pursuant to the California Government Code, the County established an irrevocable Other Postemployment Benefit (OPEB) Trust for the purpose of holding and investing assets to pre-fund the RHP, which LACERA administers. On May 15, 2012, the Los Angeles County Board of Supervisors entered into a trust and investment services agreement with the LACERA Board of Investments to act as trustee and investment manager. The OPEB Trust does not modify the County's benefit programs.

LACERA issues a stand-alone financial report that includes the required information for the OPEB plan. The report is available at its offices located at Gateway Plaza, 300 North Lake Avenue, Pasadena, California 91101-4199 or www.LACERA.com.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Benefits Provided

Health care benefits earned by County employees are dependent on the number of completed years of retirement service credited to the retiree by LACERA upon retirement; it does not include reciprocal service in another retirement system. Service includes all service on which the member's retirement allowance was based.

The RHC OPEB Program offers members an extensive choice of medical plans as well as two dental/vision plans. The medical plans are either HMOs or indemnity plans, and some are designed to work with Medicare benefits, such as the Medicare Supplement or Medicare HMO plans. Coverage is available regardless of preexisting medical conditions. Under Tier 2, retirees who are eligible for Medicare are required to enroll in that program. Medicare-eligible retirees and their covered dependents must enroll in Medicare Parts A and B and in a Medicare HMO plan or Medicare Supplement plan under Tier 2.

Medical and Dental/Vision - Program benefits are provided through third party insurance carriers with the participant's cost for medical and dental/vision insurance varying according to the years of retirement service credit with LACERA, the plan selected, and the number of persons covered. The County contribution subsidizing the participant's cost starts at 10 years of service credit in the amount of 40% of the lesser of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. For each year of retirement service credit earned beyond 10 years, the County contributes four percent per year, up to a maximum of 100% for a member with 25 years of service credit. The County contribution can never exceed the premium of the benchmark plans. Members are responsible for premium amounts above the benchmark plans, including those with 25 or more years of service credit.

Under Tier 1, the County subsidy is based on the coverage elected by the retiree. The benchmark plans are Anthem Blue Cross Plans I and II for medical and Cigna Indemnity Dental/Vision for dental and vision. Under Tier 2, the County subsidy is based on retiree only coverage. Tier 2 medical benchmark plans are Anthem Blue Cross Plans I and II for Medicare-ineligible members, Anthem Blue Cross Plan III for Medicare-eligible members, and Cigna Indemnity Dental/Vision for dental and vision plans.

Medicare Part B - The County reimburses the member's Medicare Part B Standard rate premiums paid by member to Social Security for Part B coverage, subject to annual approval by the County Board of Supervisors. Eligible members and their dependents must be enrolled in both Medicare Part A and Medicare Part B and enrolled in a LACERA- administered Medicare HMO Plan or Medicare Supplement Plan and meet all of the qualifications. Under Tier 2, the County reimburses for Medicare Part B (at the standard rate) for eligible members or eligible survivors only.

Disability - If a member is granted a service-connected disability retirement and has less than 13 years of service, the County contributes the lesser of 50% of the benchmark plan rate or the premium of the plan in which the retiree is enrolled. Under Tier 2, the benchmark plan rate is based on retiree-only premiums. A member with 13 years of service credit receives a 52% subsidy. This percentage increases 4% for each additional completed year of service, up to a maximum of 100%.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Benefits Provided-Continued

Death/Burial Benefit - There is a one-time lump-sum $5,000 death/burial benefit payable to the designated beneficiary upon the death of a retiree, reimbursed to LACERA by the County. Active and vested terminated (deferred) members are eligible for this benefit once they retire. Spouses and dependents are not eligible for this death benefit.

Contributions

The County's required contribution during FY 2017-2018 is on a pay-as-you-go basis. During FY 2017-2018, the County made payments to LACERA totaling $559.08 million for retiree health care benefits. Included in this amount was $61.70 million for Medicare Part B reimbursements and $8.70 million in death benefits. Additionally, $44.8 million was paid by member participants. During FY 2017-2018, the County also contributed $120.80 million in excess of the pay-as-you-go amounts.

Investments

The LACERA Board of Investments is responsible for setting the investment policy and investing any contributions made to the OPEB Trust from the participating employers. The OPEB Trust has a long-term investment horizon, and utilizes an asset allocation which encompasses a strategic, long-run perspective of capital markets. The current target asset allocation is invested in high quality, short-term fixed income instruments and any remaining assets invested in a passive global equity portfolio. This policy provides for diversification of assets in an effort to maximize the total return of the OPEB Trust consistent with market conditions and risk control. The following was the adopted asset allocation policy as of June 30, 2017.

Asset Class	Target Allocation	Expected Geometric Nominal Return (30 years)	Expected Geometric Real Return (30 years)
Cash	11.20%	3.05%	0.31%
Short-Term U.S. Bonds	7.28%	3.90%	1.14%
U.S. Equity	44.02%	6.44%	3.61%
Foreign Developed Equity	18.75%	6.87%	4.02%
Emerging Markets Equity	18.75%	7.68%	4.82%
Total	100.00%	6.66%	3.81%

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Retiree Healthcare OPEB Plan

Annual RHC OPEB Expense and Net OPEB Liability

At June 30, 2018, the County reported a liability of $25.249 billion for its proportionate share of the net RHC OPEB liability. The net RHC OPEB liability was measured as of June 30, 2017, and the total RHC OPEB liability used to calculate the net RHC OPEB liability was determined by an actuarial valuation as July 1, 2016, projected forward to the measurement date taking into account any significant changes between the valuation date and the measurement date. The County's proportion of the net OPEB liability was based on a projection of the County's future contribution effort to the OPEB plan relative to the projected contributions of all OPEB participants actuarially determined. At June 30, 2017, the County's proportionate share was 95.39%, which was an increase of 0.09% from the proportion measured at June 30, 2016.

For the year ended June 30, 2018, the County recognized OPEB expense of $1.971 billion which is reported as $1.636 billion for governmental activities and $0.335 million for business-type activities. OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of change in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to RHC OPEB from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Net difference between projected and actual earnings	$ 41,152	$
Change of assumptions	1,491,716	
Change in proportion and differences between County contributions and the proportionate share of contributions	141,408	139,553
Contributions made subsequent to measurement date		679,872
Total	$ 1,674,276	$ 819,425

The deferred inflows of resources and deferred outflows of resources above represent the unamortized portion of changes to the net RHC OPEB liability to be recognized in future periods in a systematic and rationale manner in accordance with GASB 75. Investment gains or losses are recognized in OPEB expense over a five year period and economic/demographic gains or losses and assumption changes or inputs are recognized over the average remaining service life of all active and inactive members, which is 9 years.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Annual RHC OPEB Expense and Net OPEB Liability-Continued

Amounts currently reported as deferred outflows and inflows of resources, other than contributions related to RHC OPEB, will be recognized in RHC OPEB expense as follows (in thousands):

	Deferred Outflows/(Inflows) of Resources
Year Ending June 30:	
2019	$ (196,985)
2020	(196,985)
2021	(196,985)
2022	(196,987)
2023	(186,696)
Thereafter	(560,085)

Deferred outflows of resources of $679.87 million related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019.

Actuarial Methods and Assumptions

Valuation Timing	July 1, 2016, rolled forward to June 30, 2017
Actuarial Cost Method	Individual Entry Age Normal, Level Percent of Pay
Asset Valuation Method	Fair Market Value
Inflation	2.75%
Salary Increases	3.25% general wage increase and merit according to Table A-5 of the June 30, 2017 actuarial valuation of retirement benefits. It can be found at www.LACERA.com.
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MO Healthcare Cost Trend Rates P-2014 Ultimate Projection Scale.
Experience Study	Covers the three year period ended June 30, 2016.
Discount Rate	4.69%
Long-term expected rate of return, net of investment expenses	6.66%
20 Year Tax-Exempt Municipal Bond Yield	3.58%

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

Actuarial Methods and Assumptions-Continued

Healthcare Cost Trend rates:

	Initial Year	Ultimate
LACERA Medical Under 65	4.40%	4.50%
LACERA Medical Over 65	4.60%	4.50%
Part B Premiums	6.80%	4.35%
Dental/Vision	2.00%	3.70%
Weighted Average Trend	4.57%	4.47%

Discount Rate

GASB 75 requires determination of whether the OPEB Trust's Fiduciary Net Position is projected to be sufficient to make projected benefit payments. The Plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate based on the 20-year Bond Buyer GO index (municipal bond rate) which was 3.58% as of June 30, 2017. For 2017, the long-term expected rate of return of 6.66% was applied to projected benefit payments from 2017 to 2052. The municipal bond rate was applied to the remaining periods. The resultant blended discount rate used to measure the Total OPEB Liability as of June 30, 2017 was 4.69%, an increase of 0.35% from the rate as of June 30, 2016.

Sensitivity of the County's Proportionate Share of the RHC OPEB Liability to Changes in the Discount Rate

The following represents the County's proportionate share of the net RHC OPEB liability calculated using the discount rate of 4.69%, as well as what the County's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.69%) or 1-percentage point higher (5.69%) than the current rate (in thousands):

	1% Decrease (3.69%)	Discount Rate (4.69%)	1% Increase (5.69%)
Net RHC OPEB Liability	$ 30,459,305	$ 25,249,103	$ 21,167,638

Sensitivity of the County's Proportionate Share of the RHC OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the County's proportionate share of the net RHC OPEB liability, as well as what the County's proportionate share of the net RHC OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
Net RHC OPEB Liability	$ 20,433,664	$ 25,249,103	$ 31,697,598

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Retiree Healthcare-Continued

OPEB Plan Fiduciary Net Position

Detailed information about OPEB plan fiduciary net position as of June 30, 2017 is available in the separately issued LACERA financial report, which can be found at www.LACERA.com.

Long-Term Disability

Plan Description

The County provides Long-Term Disability (LTD) benefits to employees and these benefits have been determined to fall within the definition of OPEB, per GASB 75. The LTD plans are administered by the County and are not administered through a trust. Each of the LTD Plans are a single employer plan and the amounts paid by the County are paid when the benefits become due during the reporting period. These LTD benefits provide for income replacement if an employee is unable to work because of illness or injury. The Board of Supervisors approved the County's original LTD plan effective March 3, 1982. Effective January 1, 1991, a new Megaflex plan was approved by the Board of Supervisors and includes a Megaflex LTD plan and a LTD Health Plan. The LTD Health Plan was added to the LTD program and made available to all participants effective January 1, 2002.

Benefits Provided

The benefit provisions of the four LTD plans is as follows:

Eligibility

Non-Megaflex Income/Survivor Income Benefit (SIB) - The Plans cover:

(1) An employee who becomes totally disabled as a direct result of an injury or disease while performing his assigned duties; or,
(2) An employee who becomes totally disabled after having completed five or more years of continuous service with the County; or,
(3) A qualified beneficiary of a deceased employee who had previously become totally disabled as a direct result of an injury or disease while performing his assigned duties;
(4) A qualified beneficiary of a deceased employee who had previously become totally disabled after having completed five or more years of continuous service with the County.
(5) A qualified beneficiary of an employee who dies as a direct result of an injury or disease while performing his assigned duties, or,
(6) A qualified beneficiary of an employee who dies in active service after having completed five or more years of continuous service with the County.

Megaflex Income/SIB - The Plans covers:

(1) An employee purchases LTD coverage and then becomes totally disabled; or,

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Benefits Provided-Continued

(2) An employee who becomes totally disabled after having completed five or more years of continuous service with the County and is a member of Retirement Plan E.
(3) the Qualified Beneficiary of a Retirement Plan E participant who is currently enrolled in the Survivor Income Benefit Plan at the time of death.

Non-MegaFlex Member LTD Health Plan - The plan continues medical insurance coverage for employees who are receiving or eligible to receive LTD Income benefits and are enrolled in one of the County approved health plans.

MegaFlex Member LTD Health Plan - The plan continues medical insurance coverage for employees who are receiving or eligible to receive LTD Income benefits and are enrolled in one of the County approved health plans.

Benefit Formula

Non-Megaflex Income/SIB - The plan provides a Basic monthly benefit of:

(1) 60% of Basic Monthly Compensation (commences after 6 months of disability)
(2) Annual Cost of Living Adjustment (COLA), beginning after 2 years of benefit payments (limited to a maximum of 2%/year), if disabled after 1/1/2001.
(3) For a qualified beneficiary, 55% of the LTD disability benefit that the employee was receiving or would have received immediately prior to death; and, continues for the life of the qualified surviving spouse/domestic partner and upon spousal death to the qualified children beneficiaries.

Megaflex Income/SIB - The plan provides a Basic monthly benefit of:

(1) 40% or 60% of Basic Monthly Compensation (commences after 6 months of disability)
    a. Plan E members
        (1) With 5+ years of services 40% non-elective or can buy up to 60
        (2) With less than 5 years of service: can buy 40% or 60%
    b. Plan A, B, C, or D members: can buy 40% or 60%
(2) Annual COLA, beginning after 2 years of benefit payments (limited to a maximum of 2% per year), if disabled after 1/1/2001.
(3) For a qualified beneficiary, the plan provides a Basic Monthly Benefit of 10%, 15%, 25%, 35%, or 50% of employee’s monthly salary if they elected.

Non-MegaFlex Member LTD Health Plan - The plan pays 75% of monthly medical premiums for disabled members.

MegaFlex Member LTD Health Plan - The plan pays 75% of monthly medical premiums for disabled members.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Benefits Provided-Continued

Maximum Period

Non-Megaflex Income/SIB and Megaflex Income/SIB - LTD benefits stop when:

(1) Employee is no longer totally disabled or turns age 65, whichever occurs first. However, if employee is age 62 or older when benefit commences, benefit can continue beyond age 65 (length depends on age at commencement) as follows:

Age at Disability	Maximum Period
62	3 ½
63	3
64	2 ½
65	2
66	1 ¾
67	1 ½
68	1 ¼
69 and older	1

or

(2) Employee takes early or normal retirement under Plan E.

Employees covered by benefit terms

At June 30, 2018, the following employee were covered by the benefit terms:

LTD Income and Survivor Benefit Plans:	
Inactive employees or beneficiaries currently receiving benefit payments	2,518
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	74,357
LTD Health Plans	
Inactive employees or beneficiaries currently receiving benefit payments	594
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	65,168

Total LTD OPEB LIABILITY

At June 30, 2018, the County reported a total LTD OPEB liability of $1.073 billion. The total LTD OPEB liability was determined by an actuarial valuation as of July 1, 2017.

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Actuarial Methods and Assumptions

Valuation Timing	July 1, 2017
Actuarial Cost Method	Individual Entry Age Normal, Level Percent of Pay
Inflation	The inflation rate is included in the salary increase percentage and the Healthcare cost trend rates.
Salary Increases	3.25% general wage increase and merit according to Table A-5 of the June 30, 2017 RHC OPEB Program's actuarial valuation report. It can be found at www.LACERA.com.
Mortality	Various rates based on the RP-2014 Healthy and Disabled Annuitant mortality tables and including projection for expected future mortality improvement using the MO Healthcare Cost Trend Rates - 2014 Ultimate Projection Scale.
Discount Rate	Equal to the municipal bond rate based on the 20-year Bond Buyer GO index (municipal bond rate) as of June 2017, which was 3.58 percent as of June 30, 2017.

Healthcare Cost Trend rates:

Year	Rate (preMedicare/ post Medicare)	Year	Rate (pre Medicare/ post Medicare)
2017-2018	4.40%/4.60%	2037-2038	6.10%/5.60%
2018-2019	5.80%/6.00%	2047-2048	5.70%/5.60%
2019-2020	6.30%/6.00%	2057-2058	5.50%/5.80%
2020-2021	6.70%/6.50%	2067-2068	5.10%/5.30%
2021-2022	5.70%/6.10%	2077-2078	4.50%/4.60%
2022-2023	5.80%/6.10%	2087-2088	4.50%/4.60%
2023-2024	5.30%/5.30%	2097-2098	4.50%/4.50%
2024-2025	5.40%/5.40%	2099+	4.50%/4.50%
2025-2026	5.60%/5.40%		
2026-2027	5.80%/5.40%		
2027-2028	5.90%/5.50%		

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long-Term Disability-Continued

Changes in the Total LTD OPEB Liability (in thousands):

Total OPEB Liability at 6/30/2017	$	1,159,467
Service Cost		49,068
Interest		33,546
Changes of benefit terms		
Differences between expected and actual experience		589
Changes of assumptions or other inputs		(106,200)
Contributions		
Net Investment Income		
Benefit payments		(63,430)
Net Changes		(86,427)
Total LTD OPEB Liability at 6/30/2018	$	1,073,040

Changes of assumptions or other inputs reflect a change in the discount rate from 2.85% as of 6/30/2016 to 3.58% as of 6/30/2017.

Sensitivity of the total LTD OPEB Liability to Changes in the Discount Rate

The following represents the County's total LTD OPEB liability calculated using the discount rate of 3.58%, as well as what the County's proportionate share of the total LTD OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58%) or 1-percentage point higher (4.58%) than the current rate (in thousands):

	1% Decrease (2.58%)	Discount Rate (3.58%)	1% Increase (4.58%)
Total LTD OPEB Liability	$ 1,221,142	$ 1,073,040	$ 942,900

Sensitivity of the County's Total LTD OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following represents the County's total LTD OPEB liability, as well as what the County's total LTD OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates (in thousands):

	1% Decrease	Current Trend Rate	1% Increase
Total LTD OPEB Liability	$ 1,062,959	$ 1,073,040	$ 1,084,827

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long Term Disability-Continued

OPEB Expense and the Deferred Outflows of Resources and Deferred Inflows of Resources Related to LTD OPEB

For the year ended June 30, 2018, the County recognized LTD OPEB expense of $30.925 million which is reported as $25.602 million for governmental activities and $5.323 million for business-type activities. OPEB expense represents the change in the total LTD OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of change in investment gain/loss, actuarial gain/loss, actuarial assumptions or methods, and plan benefits.

At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to LTD OPEB from the following sources (in thousands):

	Deferred Inflows of Resources	Deferred Outflows of Resources
Change in experience	$	$ 540
Change of assumptions	97,351	
Change in proportionate share	25,183	25,183
Amounts paid by the employer for OPEB benefits subsequent to the measurement date	20,541	
Total	$ 143,075	$ 25,723

The deferred inflows of resources and deferred outflows of resources above represent the unamortized portion of changes to the total LTD OPEB liability to be recognized in future periods in a systematic and rationale manner in accordance with GASB 75. Economic/demographic gains or losses, assumption changes or inputs, and change in proportion are recognized over the average remaining service life of all active and inactive members, which is 12 years. The change in proportionate share represents the changes in allocation percentages to the individual funds, including the proprietary funds, of the total OPEB LTD liability from the prior measurement date to the current measurement date.

Amounts currently reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows (in thousands):

	Deferred Outflows/(Inflows) of Resources
Year Ending June 30:	
2019	$ (8,800)
2020	(8,800)
2021	(8,800)
2022	(8,800)
2023	(8,800)
Thereafter	(52,811)

9. OTHER POSTEMPLOYMENT BENEFITS-Continued

Long Term Disability-Continued

Combined Balances of the net OPEB Liability, Deferred Outflows of Resources, Deferred Inflows of Resources and the OPEB Expense

The following total balances are reflected in the accompanying statement of net position (in thousands):

	RHC OPEB	LTD OPEB	Total
Net OPEB Liability	$25,249,103	$1,073,040	$26,322,143
Deferred Outflows of Resources	819,425	25,723	845,148
Deferred Inflows of Resources	1,674,276	143,075	1,817,351
OPEB Expense	1,970,614	30,925	2,001,539

10. LEASES

Operating Leases

The following is a schedule of future minimum rental payments required under operating leases entered into by the County that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2018 (in thousands):

Year Ending June 30	Governmental Activities
2019	$ 95,517
2020	75,581
2021	57,097
2022	43,085
2023	33,204
2024-2028	103,645
2029-2033	54,505
2034-2038	22,618
2039-2043	15,327
2044-2048	14,654
2049	733
Total	$ 515,966

Rent expenses related to operating leases were $97,382,000 for the year ended June 30, 2018.

10. LEASES-Continued

Capital Lease Obligations

The following is a schedule of future minimum lease payments under capital lease obligations together with the present value of future minimum lease payments as of June 30, 2018 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2019	$ 24,960	$ 78
2020	27,008	78
2021	26,766	52
2022	26,431	34
2023	26,430	11
2024-2028	101,043	
2029-2033	73,402	
2034-2038	36,704	
Total	342,744	253
Less: Amount representing interest	180,138	18
Present value of future minimum lease payments	$ 162,606	$ 235

The following is a schedule of property under capital leases by major classes at June 30, 2018 (in thousands):

	Governmental Activities	Business-type Activities
Land	$ 32,238	$
Buildings and improvements	142,638	
Equipment	58,270	276
Accumulated depreciation	(65,876)	(45)
Total	$ 167,270	$ 231

Future rent revenues to be received from noncancelable subleases are $884,000 as of June 30, 2018.

Leases of County-Owned Property

The County has entered into operating leases relative to the Marina del Rey Project area, regional parks, asset development projects and Whiteman Airport. Substantially all of the Marina's land and harbor facilities are leased to others under agreements classified as operating leases. Certain regional parks are leased under agreements, which provide for activities such as food and beverage concessions, and recreational vehicle camping. The asset development projects are ground leases and development agreements are entered into by the County for private sector development of commercial, industrial, residential, and cultural uses on vacant or underutilized County owned property. The Whiteman Airport lease is for hanger space. The asset development leases cover remaining periods ranging generally from 4 to 80 years and are accounted for in the General Fund. The lease terms for the regional parks cover remaining periods ranging from 1 to 17 years and are also accounted for in the General Fund. The Marina del Rey leases cover remaining periods ranging from 1 to 60 years and are accounted for in the General Fund. The airport lease covers a remaining period of 13 years and is accounted for in the Aviation Enterprise Fund.

10. LEASES-Continued

Leases of County-Owned Property-Continued

The land carrying value of the asset development project ground leases and the Marina del Rey Project area leases is $640,790,000. The carrying value of the capital assets associated with the regional park and Whiteman Aiport operating leases is not determinable.

The following is a schedule of future minimum rental receipts on noncancelable leases as of June 30, 2018 (in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2019	$ 45,733	$ 187
2020	45,653	192
2021	45,633	197
2022	45,427	201
2023	42,788	206
Thereafter	1,607,422	1,848
Total	$ 1,832,656	$ 2,831

The following is a schedule of rental income for these operating leases for the year ended June 30, 2018 (in thousands):

	Governmental Activities	Business-type Activities
Minimum rentals	$ 44,645	$ 179
Contingent rentals	21,861	
Total	$ 66,506	$ 179

The minimum rental income is a fixed amount based on the lease agreements. The contingent rental income is a percentage of revenue above a certain base for the asset development leases or a calculated percentage of the gross revenue less the minimum rent payment for the other leases.

11. LONG-TERM OBLIGATIONS

Long-term obligations of the County consist of bonds, notes and loans, pension (see Note 8), OPEB (see Note 9), capital lease obligations (see Note 10) and other liabilities, which are payable from the General, Special Revenue, Debt Service, Enterprise and Internal Service Funds.

11. LONG-TERM OBLIGATIONS-Continued

A summary of bonds, notes and loans recorded within governmental activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2018
Regional Park and Open Space District Bonds (issued by Public Works Financing Authority), 3.00% to 5.25%	$ 275,535	$ 28,505
NPC Bonds, 5.00%	26,986	15,182
Public Buildings Bonds and Notes, 0.32% to 7.62%	1,075,096	1,063,220
Los Angeles County Securitization Corporation Tobacco Settlement Asset-Backed Bonds, 5.25% to 6.65%	319,827	400,085
NPC Bond Anticipation Notes, 1.57% to 2.43%	23,557	23,557
Marina del Rey Loans, 4.50% to 4.70%	23,500	13,174
Lease Revenue Obligation Notes, 1.20% to 2.70%	75,489	75,489
Total	$ 1,819,990	$ 1,619,212

A summary of bonds, notes and loans recorded within business-type activities follows (in thousands):

	Original Par Amount of Debt	Balance June 30, 2018
NPC Bonds, 5.00%	$ 10,494	$ 5,903
Public Buildings Bonds and Notes, 0.32% to 7.62%	774,228	750,188
NPC Bond Anticipation Notes, 1.57%	1,443	1,443
Lease Revenue Obligation Notes, 1.20% to 2.70%	249,101	249,101
Waterworks District Loans, 2.28%	8,869	7,315
Aviation Loan, 2.95%	2,000	1,715
Total	$ 1,046,135	$ 1,015,665

Assessment Bonds

The Regional Park and Open Space District (District) issued voter approved assessment bonds in 1997, some of which were advance refunded in FY 2004-2005 and the remainder in FY 2007-2008, to fund the acquisition, restoration, improvement and preservation of beach, park, wildlife and open space resources within the District. As discussed in Note 4, the bonds were purchased by the Public Works Financing Authority (Authority) and similar bonds were issued as a public offering. The bonds issued by the Authority are payable from the pledged proceeds of annual assessments levied on parcels within the District's boundaries.

11. LONG-TERM OBLIGATIONS-Continued

Assessment Bonds-Continued

The bonds mature in FY 2019-2020. Annual principal and interest payments of the bonds are expected to require less than 50% of annual assessment revenues. Total principal and interest remaining on the bonds is $27,966,000, not including unamortized bond premiums. Principal and interest for the current year and assessment revenues were $14,012,000 and $125,567,000, respectively.

Principal and interest requirements on assessment bonds are as follows (in thousands):

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2019	$ 12,955	$ 1,039
2020	13,620	352
Subtotal	26,575	$ 1,391
Add: Unamortized bond premiums	1,930	
Total assessment bonds	$ 28,505	

Certificates of Participation and Bonds

The County has issued lease revenue bonds through various financing entities that have been established and are component units of the County. The debt proceeds have been used to finance the acquisition of County facilities and equipment. The County makes annual payments to the financing entities for the use of the property and the debt is secured by the underlying capital assets that have been financed.

Principal and interest requirements on Certificates of Participation (COPs) and Bonds (NPC bonds, Public Buildings Bonds and COPs for governmental activities and NPC bonds and Public Buildings Bonds and COPs for business-type activities) are as follows (in thousands):

11. LONG-TERM OBLIGATIONS-Continued

Certificates of Participation and Bonds-Continued

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2019	$ 40,057	$ 66,077	$ 20,981	$ 44,716
2020	34,892	65,375	19,430	43,783
2021	39,571	56,608	18,727	42,815
2022	50,020	46,521	19,340	41,779
2023	49,821	44,126	20,184	40,669
2024-2028	160,277	192,176	116,288	182,762
2029-2033	180,899	141,829	148,361	139,606
2034-2038	176,279	90,145	188,716	84,915
2039-2043	169,381	36,438	172,789	20,810
2044-2046	63,360	4,362		
Subtotal	964,557	$ 743,657	724,816	$ 641,855
Add: Accretions	33,617			
Unamortized bond premiums	80,228		31,275	
Total certificates of participation and bonds	$ 1,078,402		$ 756,091	

Tobacco Settlement Asset-Backed Bonds

In 2006, the County entered into a Sale Agreement with the Los Angeles County Securitization Corporation (LACSC) under which the County relinquishes to the LACSC a portion of its future tobacco settlement revenues (TSRs) for the next 40 years. The County received from the sold TSRs a lump sum payment of $ 319,827,000 and a residual certificate in exchange for the rights to receive and retain 25.9% of the County's TSRs through 2046. The residual certificate represented the County's ownership interest in excess TSRs to be received by the LACSC during the term of the Sale Agreement. Residuals through 2018 were $131,514,000. The total TSRs sold, based on the projected payment schedule in the Master Settlement Agreement and adjusted for historical trends, was estimated to be $ 1.438 billion. The estimated present value of the TSRs sold, net of the expected residuals and assuming a 5.7% interest rate at the time of the sale, was $309,230,000. In the event of a decline in the tobacco settlement revenues for any reason, including the default or bankruptcy of a participating cigarette manufacturer, resulting in a decline in the tobacco settlement revenues and possible default on the Tobacco Bonds, neither the California County Tobacco Securitization Agency, the County, nor the LACSC has any liability to make up any such shortfall.

11. LONG-TERM OBLIGATIONS-Continued

Tobacco Settlement Asset-Backed Bonds-Continued

Principal and interest requirements (in thousands) for the Tobacco Settlement Asset-Backed bonds are as follows:

Year Ending June 30	Governmental Activities Principal	Governmental Activities Interest
2019	$	$ 19,194
2020		19,194
2021	22,115	19,194
2022		17,136
2023		17,136
2024-2028		85,680
2029-2033	46,370	69,311
2034-2038	62,196	60,223
2039-2043	53,157	38,737
2044-2046	97,824	16,173
Subtotal	281,662	$ 361,978
Add: Accretions	118,423	
Total tobacco settlement asset-backed bonds	$ 400,085	

Notes, Loans, and Lease Revenue Obligation Notes

Notes and Loans

BANs are issued by the LACCAL to provide interim financing for equipment purchases. BANs are purchased by the County Treasury Pool and are payable within five years. In addition, the BANs are issued with a formal agreement that, in the event they are not liquidated within the five-year period, they convert to capital lease obligations with a three-year term secured by County real property. During FY 2017-2018, LACCAL, an Internal Service Fund, issued additional BANs in the amount of $20,000,000 as reflected in governmental activities and $0 as reflected in business-type activities.

Marina del Rey loans were obtained from the California Department of Boating and Waterways for the restoration and renovation of the marina seawall. The loans are secured by Marina del Rey lease revenue and by Los Angeles County Music Center parking revenues.

In June 2010, the Board approved a resolution authorizing the Waterworks Districts to obtain Safe Drinking Water State Revolving loans in the amount of $3,410,000 and $5,473,000 from the California Department of Public Health to fund the Sepulveda Feeder Interconnection project (Malibu) and the Marina del Rey Waterline Replacement project (Marina), respectively. The loans will be repaid over 20 years and are secured by revenues from surcharges collected for capital improvements. Annual

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Notes and Loans-Continued

principal and interest payments of the loans are expected to require less than 46.73% of the annual surcharge revenues. During FY 2017-2018, the County did not obtain any additional loans. As of June 30, 2018, total loans drawn are $3,396,000 on the Sepulveda Feeder Interconnection project and $5,473,000 on the Marina del Rey Waterline Replacement project.

In July 2014, the Board approved the Whiteman Airport Leasehold Interest Acquisition Project, with a total Project cost of $4,020,000. To partially finance the acquisition, the Aviation Fund obtained an Airport Development Loan from the State of California Department of Transportation, Aeronautics Program for $2,000,000 with an annual interest rate of 2.95%. The Airport Development Loan will be repaid over 17 years with revenue generated by rental income. During FY 2017-2018, the County did not obtain any additional airport development loans.

Lease Revenue Obligation Notes

Lease revenue obligation notes (LRON) provide the County with a flexible and cost-effective source of financing to provide interim funding during the initial construction phase of a capital project, which may be refinanced with the issuance of long-term bonds upon completion. Repayment of LRON are secured by two irrevocable direct-pay letters of credit (LOC) from separate banks supporting the issuance of LRON, and one revolving credit facility with an additional bank supporting the issuance of direct placement revolving notes. This program is secured by sixteen County-owned properties pledged as collateral in a lease-revenue financing structure with the LACCAL. The LOCs and the revolving credit facility were issued for a three-year period and have a termination date of April 12, 2019. The County has the option to extend the LOCs and the revolving credit for an additional one-year period or to some other term mutually agreed to with the participating banks.

The aggregate maximum principal amount of the two LOCs is $300,000,000, which consists of $100,000,000 of Series A (Bank of the West), and $200,000,000 of Series B (U.S. Bank). The maximum principal amount of the Series C (Wells Fargo) direct placement revolving credit facility is $200,000,000. The County is responsible for the payment of a non-refundable letter of credit fee for each LOC and a non-refundable commitment fee for the revolving credit facility on a quarterly basis in an amount equal to the rate per annum corresponding to the lowest long-term unenhanced debt ratings assigned by any of Moody’s, S&P, or Fitch to any Lease Obligation Debt of the County. The letter of credit fee for Series A is equal to 0.35% of the maximum principal amount of the LOC. For Series B, the letter of credit fee is equal to 0.43% of the maximum principal amount of the LOC. The commitment fee for the Series C revolving notes issued through the Wells Fargo credit facility is equal to 0.30% of the maximum principal amount. As of June 30, 2018, $324,590,000 of LRON issued under the program were outstanding, including $98,090,000 of Series A, $200,000,000 of Series B, and $26,500,000 of Series C.

11. LONG-TERM OBLIGATIONS-Continued

Notes, Loans, and Lease Revenue Obligation Notes-Continued

Lease Revenue Obligation Notes-Continued

LRON are issued as variable rate instruments with a maximum term not to exceed 270 days. On the maturity date of LRON, the notes are reissued at the prevailing interest rates in the note market, which reflects the term of the note and the perceived credit quality of the supporting letter of credit bank. During FY 2017-2018, the County redeemed $1,910,000 and reissued $32,732,000 for governmental activities and reissued $159,728,000 for business-type activities, representing the total amounts outstanding at the beginning of the year. These reissues, along with an additional $132,130,000 of new County LRON, which is reported as $42,757,000 for governmental activities and $89,373,000 for business-type activities, are reflected as notes payable. The total outstanding LRON as of June 30, 2018 is $324,590,000, which is reported as $75,489,000 for governmental activities and $249,101,000 for business-type activities. The average interest rate on LRON issued in FY 2017-2018 was 1.06%.

Principal and interest requirements on NPC BANS, Marina del Rey Loans and LRON for governmental activities and NPC BANS, Waterworks District Loans, Aviation Loan and LRON for business-type activities are as follows (in thousands):

Year Ending	Governmental Activities		Business-type Activities	
June 30	Principal	Interest	Principal	Interest
2019	$ 79,998	$ 593	$ 250,835	$ 134
2020	20,995	550	492	208
2021	1,039	505	504	196
2022	1,086	458	516	184
2023	1,135	410	528	171
2024-2028	6,489	1,234	2,841	657
2029-2033	1,478	67	3,054	293
2034-2035			804	19
Total notes, loans, and LRON	$ 112,220	$ 3,817	$ 259,574	$ 1,862

11. LONG-TERM OBLIGATIONS-Continued

Summary-All Future Principal, Interest and Accretions

The following summarizes total future principal and interest requirements for the various debt issues referenced above (in thousands):

	Governmental Activities		Business-type Activities	
Debt Type	Principal	Interest	Principal	Interest
Assessment bonds	$ 26,575	$ 1,391	$	$
Certificates of participation and bonds	964,557	743,657	724,816	641,855
Tobacco settlement asset-backed bonds	281,662	361,978		
Notes, loans, and LRON	112,220	3,817	259,574	1,862
Subtotal	1,385,014	$ 1,110,843	984,390	$ 643,717
Add: Accretions	152,040			
Unamortized premiums on bonds payable	82,158		31,275	
Total bonds and notes	$ 1,619,212		$ 1,015,665	

Long-term liabilities recorded in the government-wide statement of net position include accreted interest on zero coupon bonds and unamortized bond premiums.

Bonds Defeased in Prior Years

In prior years, various debt obligations, consisting of bonds and certificates of participation, were defeased by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old obligations. GASB 86 requires that debt also be considered defeased when cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust to extinguish debt (Note 2). Accordingly, the trust account assets and the related debt service payments for the defeased bonds would not be reflected in the County's statement of net position. At June 30, 2018, there were no outstanding bonds and certificates of participation considered defeased.

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities

The following is a summary of long-term liabilities and corresponding activity for the year ended June 30, 2018 (in thousands):

	Balance July 1, 2017	Additions/ Accretions	Transfers/ Maturities	Balance June 30, 2018	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 1,388,537	95,489	99,012	$ 1,385,014	$ 133,010
Add: Unamortized premium on bonds payable	83,846		1,688	82,158	2,060
Total bonds and notes payable	1,472,383	95,489	100,700	1,467,172	135,070
Interest accretion on capital appreciation bonds payable	158,759	3,384	10,103	152,040	13,635
Other long-term liabilities:					
Capital lease obligations (Note 10)	151,941	17,661	6,996	162,606	7,061
Accrued compensated absences	1,463,066	201,775	107,383	1,557,458	94,981
Workers' compensation (Note 18)	2,309,735	622,898	423,198	2,509,435	421,809
Litigation and self-insurance (Note 18)	212,540	75,565	80,382	207,723	118,412
Pollution remediation obligation (Note 19)	22,081	30,173	6,232	46,022	3,830
Net pension liability (Note 8)	8,831,107	390,590		9,221,697	
Net OPEB liability, as restated (Note 2, 9)	22,012,693		196,880	21,815,813	
Third party payor	61,504	31,392	38,590	54,306	39,936
Total governmental activities	$36,695,809	1,468,927	970,464	$ 37,194,272	$ 834,734
Business-type activities:					
Bonds and notes payable	$ 917,351	249,101	182,062	$ 984,390	$ 271,816
Add: Unamortized premium on bonds payable	32,004		729	31,275	1,157
Total bonds and notes payable	949,355	249,101	182,791	1,015,665	272,973
Other long-term liabilities:					
Capital lease obligations (Note 10)		276	41	235	70
Accrued compensated absences	213,663	27,742	15,791	225,614	14,366
Workers' compensation (Note 18)	329,818	56,331	37,156	348,993	37,453
Litigation and self-insurance (Note 18)	88,979	11,360	8,789	91,550	26,661
Net pension liability (Note 8)	1,441,564	186,670		1,628,234	
Net OPEB liability, as restated (Note 2, 9)	4,550,039		43,709	4,506,330	
Third party payor (Note 14)	1,052,496	248,255	567,654	733,097	269,624
Total business-type activities	$ 8,625,914	779,735	855,931	$ 8,549,718	$ 621,147

11. LONG-TERM OBLIGATIONS-Continued

Changes in Long-term Liabilities-Continued

For governmental activities, the General Fund, the Fire Protection District Special Revenue Fund and the County Library Special Revenue Fund have typically been used to liquidate workers' compensation, accrued compensated absences, pension, OPEB, and litigation and self-insurance.

Bond interest accretions for deep discount bonds have been included in the amounts reported for Bonds and Notes. Accretions decreased during FY 2017-2018, thereby decreasing liabilities for Bonds and Notes by $6,719,000 for governmental activities. Note 18 contains information about changes in the combined current and long-term liabilities for workers' compensation and litigation and self-insurance.

Discretely Presented Component Unit

Long-term debt obligations and corresponding activity for the CDC discretely presented component unit for the year ended June 30, 2018, was as follows (in thousands):

	July 1, 2017	Additions	Maturities	Balance June 30, 2018	Due Within One Year
Governmental activities:					
Bonds and notes payable	$ 17,535	511	2,660	$ 15,386	$ 2,509
Compensated absences	856	1,120	1,073	903	812
Capital lease obligations	29	1,172	221	980	245
Claims payable	4,237	2,632	2,323	4,546	455
Net pension liability	15,967	8,500	1,947	22,520	
Net OPEB liability, as restated (Note 2)	3,000	181	1,073	2,108	
Total governmental activities	$ 41,624	14,116	9,297	$ 46,443	$ 4,021
Business-type activities:					
Bonds and notes payable	$ 37,005		665	$ 36,340	$ 700
Compensated absences	734	947	907	774	697
Net pension liability	11,942	6,733	1,793	16,882	
Net OPEB liability, as restated (Note 2)	470	28	168	330	
Total business-type activities	$ 50,151	7,708	3,533	$ 54,326	$ 1,397
Total long-term obligations	$ 91,775	21,824	12,830	$ 100,769	$ 5,418

12. SHORT-TERM DEBT

On July 3, 2017, the County issued $800,000,000 of short-term Tax and Revenue Anticipation Notes at an effective interest rate of 0.90%. The proceeds of the notes were used to assist with County General Fund cash flow needs prior to the first major apportionment of property taxes, which occurred in December 2017. The notes matured and were redeemed on June 29, 2018.

13. CONDUIT DEBT OBLIGATIONS

Community Facilities and Improvement District Bonds

As of June 30, 2018, various community facilities and improvement districts established by the County had outstanding special tax bonds payable totaling $28,047,000 and limited obligation improvement bonds totaling $2,372,000. The bonds were issued to finance the cost of various construction activities and infrastructure improvements, which have a regional or direct benefit to the related property owners.

The bonds do not constitute an indebtedness of the County and are payable solely from special taxes and benefit assessments collected from property owners within the districts. In the opinion of County officials, these bonds are not payable from any revenues or assets of the County and neither the full faith and credit of the County, the State or any political subdivision thereof is obligated to the payment of the principal or interest on the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

The County functions as an agent for the districts and bondholders. Debt service transactions related to the various bond issues are reported in the agency funds. Construction activities are reported in the Improvement Districts' Capital Projects Fund.

Industrial Development and Other Conduit Bonds

Industrial development bonds, and other conduit bonds, have been issued to provide financial assistance to private sector entities and nonprofit corporations for the acquisition of industrial and health care facilities, which provide a public benefit. The bonds are secured by the facilities acquired and/or bank letter of credit and are payable solely from project revenue or other pledged funds. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2018, the amount of industrial development and other conduit bonds outstanding was $69,060,000.

Redevelopment Refunding Bonds

The County of Los Angeles Redevelopment Refunding Authority, a joint powers authority between the County and the Public Works Financing Authority, was established to issue bonds that would enable successor agencies to former redevelopment agencies within the County to refund their outstanding tax allocation bonds in order to achieve debt service savings and to provide significant economies of scale through reduced costs of issuance and lower interest rates. The bonds are secured by a lien on future tax revenues of successor agencies. The County is not obligated in any manner for the repayment of the bonds. Accordingly, no liability has been recorded in the accompanying basic financial statements.

As of June 30, 2018, the amount of redevelopment refunding bonds outstanding was $669,427,000.

14. HOSPITAL AND OTHER PROGRAM REVENUES

Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Medi-Cal Demonstration Project: Medi-Cal 2020

On December 30, 2015, the federal Centers for Medicaid and Medicare Services (CMS) approved the special terms and conditions (STCs) for Medi-Cal 2020 - a five-year renewal of California's Section 1115(a) Medi-Cal Demonstration Project, which provides California with new federal funding through programs with an intent to shift focus away from hospital-based and inpatient care, towards outpatient, primary, and preventative care. Medi-Cal 2020 covers the period January 1, 2016 to December 31, 2020.

Revenues for the public hospitals under Medi-Cal 2020 are composed of:

1) Global Payment Program
2) Public Hospitals Redesign and Incentives in Medi-Cal
3) Whole Person Care

Global Payment Program

The Global Payment Program (GPP) is a payment reform program that aims to change the way county-owned and operated Public Hospital Systems (PHS) in California are compensated for providing care to the remaining uninsured. The program encourages a shift away from cost-based, hospital-centric models of care, through financial incentives to provide cost-effective primary and specialty care.

The GPP funds are comprised of Disproportional Share Hospital (DSH) funds that otherwise would have been allotted to a PHS, and Safety Net Uncompensated Care Pool (SNCP). DSH is a federal program to support safety-net hospital caring for a disproportionate share of low-income patients. SNCP was established under California's 2005 waiver to support services provided to uninsured patients. The GPP lifts restrictions that have historically impeded providing services for the remaining uninsured in the most appropriate setting for each patient, and now includes non-traditional methods of care delivery that have not been covered under either program.

The shift from volume to value is done through a value-based point methodology, which takes into account both the value of care to the patient, and the recognition of costs to the health care system.

Each participating PHS has an opportunity to earn a global budget for care to the remaining uninsured, and must meet service thresholds to receive full funding. Points are assigned to services in the following categories:

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Global Payment Program-Continued

- Traditional Outpatient (e.g., primary or specialty care visit, dental, ER/urgent care, mental health visit)
- Non-Traditional Outpatient (e.g., health coaching, care navigation, community wellness encounters)
- Technology-Based Outpatient (e.g., nurse advice line, email consultation, provider-to-provider eConsult for specialty care)
- Inpatient and Facility Stays (e.g., trauma care, ICU stays, recuperative care, respite care, sober center stays, skilled nursing facility stays).

The County provides funding for the State of California's (State's) share of the program by "using Intergovernmental Transfers (IGTs)" to draw down federal matching funds.

The estimated GPP revenues and related IGTs recorded in FY 2017-2018, in thousands, were as follows:

	GPP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	$ 342,431	$ 176,969
Olive View-UCLA Medical Center	149,586	80,118
LAC+USC Medical Center	588,081	364,571
Rancho Los Amigos National Rehab Center	52,449	35,927
Total	$ 1,132,547	$ 657,585

The General Fund received $100.21 million for GPP, which was recorded as "Charges for Services" revenue on the governmental funds statement.

Public Hospital Redesign and Incentives in Medi-Cal

The Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program is the successor to the 2010 Bridge to Reform waiver's Delivery System Reform Incentive Program (DSRIP), a pay-for-performance program that improves care delivery to prepare California's PHS for an influx of newly covered patients through the implementation of the Affordable Care Act (ACA).

PRIME directs PHS, district, and municipal hospitals to use evidence-based quality improvement methods to achieve ambitious, year-over-year performance targets. All federal funding for this program is contingent on meeting these targets.

Efforts within PRIME include (1) increasing the capability to furnish patient-centered, data driven, team-based care, (2) improving the capacity to provide point-of-care services, complex care management and population health management, (3) improving population and health outcomes, (4) high quality care that integrates physical and behavioral health services in the most appropriate setting and (5) moving towards value-based payments. The estimated revenues below, in thousands, were recorded as "other operating revenues" in FY 2017-2018:

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Medi-Cal Demonstration Project: Medi-Cal 2020-Continued

Public Hospital Redesign and Incentives in Medi-Cal-Continued

	PRIME Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	$ 170,303	$ 128,200
Olive View-UCLA Medical Center	109,137	50,656
LAC+USC Medical Center	69,466	59,151
Rancho Los Amigos National Rehab Center	69,635	44,997
Total	$ 418,541	$ 283,004

The General Fund received $147.47 million for PRIME, and was recorded as “Intergovernmental Revenue Federal” on the governmental funds statement.

Whole Person Care

Whole Person Care (WPC) pilot program focuses on coordination of health, behavioral health, and social services in a patient-centered manner with the goals of improved beneficiary health and well-being through more efficient and effective use of resources.

WPC program is on a calendar year basis, starting with 2016. The General Fund received $156.08 million for WPC revenues, which were recorded as "Intergovernmental Revenue Federal" on the governmental funds statement. In addition, the General Fund recorded $92.49 million of WPC IGT expenditures, which were recorded as health and sanitation expenditures on the governmental funds statement.

Medi-Cal Demonstration Project: Bridge to Reform

Bridge to Reform was approved in November 2010 by CMS, pursuant to Section 1115(a) of the Social Security Act. This waiver affected many aspects of Medi-Cal revenue for the County hospitals and clinics including the financing methods by which the State drew down federal matching funds. Bridge to Reform covered the period November 1, 2010 to October 31, 2015, with a temporary extension to December 31, 2015.

Although DSH and SNCP ended in FY2014-2015, the Department of Health Care Services (DHCS) has yet to perform the final reconciliation for various program years. In FY 2017-2018, the financial impact of these programs is immaterial.

Low Income Health Program (LIHP) / Healthy Way LA (HWLA) Out-of-Network (OON)

On January 21, 2014, the Board authorized DHS to make an IGT to fund the non-federal share of supplemental payments to private hospitals for OON emergency care and post-stabilization services provided to the LIHP's MCE population. However, DHCS recently notified DHS that CMS denied the LIHP OON supplemental payment. Therefore, the accrual for the prior years IGTs, amounting to $6.02 million was eliminated.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Managed Care for Seniors and Persons with Disabilities

Under the Medi-Cal Demonstration Project, in an effort to provide more coordinated care and contain costs, Medi-Cal beneficiaries who are Seniors and Persons with Disabilities (SPDs) are required to enroll in managed care plans, rather than using a fee for service system. In FY 2017-2018, an estimated $134.77 million of SPD revenues were recorded as part of net patient service revenue.

The Medi-Cal Demonstration Project required the County to make IGTs to the State to fund the non-federal share of Medi-Cal inpatient payments for the SPD managed care population. Expenses associated with such IGTs were negative $1.89 million in FY 2017-2018 due to IGT adjustments to close out the prior year for the program that ended in FY 2016-2017.

The General Fund received $0.01 million for SPD, which were recorded as "Charges for Services" revenue on the governmental funds statement.

Affordable Care Act

On January 1, 2014, when the federal health care reform of the Patient Protection went into effect, the Hospital Presumptive Eligibility program also provided individuals with temporary Medi-Cal benefits while a formal, permanent Medi-Cal application is being processed.

Medicaid Coverage Expansion

The Medicaid Coverage Expansion (MCE), also known as the Optional Medicaid Expansion program, provides Medi-Cal coverage for adult citizens or legal residents (ages 19-64) who are uninsured and have incomes at or below 138% of the Federal Property Level. The Federal Medical Assistance Percentage (FMAP) for the MCE Program is 100% from July 1, 2016 through December 31, 2016, 95% from January 1, 2017 through December 31, 2017, and 94% effective January 1, 2018.

During FY2017-2018, LA Care Health Plan (LA Care), one of the health plans which subcontracts with the County to provide services for their Medi-Cal managed care members, continued to pay the County managed care capitation payments based on the FY 2016-2017 contract rates. The two organizations worked together to determine the new rates and the negotiated rates were finalized in September 2018 but the agreements have not yet been executed. For the MCE capitated lives, the official MCE rates decreased for FY2017-2018. The County will pay back LA Care in FY 2018-2019 approximately $193.88 million, which was reflected as third party payor liability due within one year. Refer to Third Party Payor Liability section of this Note below for additional information.

In FY 2017-2018, the total estimated MCE revenues and related estimated IGTs, including prior year over/under-realization were as follows (in thousands):

	Program Revenues	Intergovernmental Transfers Expense
MCE	$ 309,017	$ 27,100
MCRS - MCE	95,423	7,886
Total	$ 404,440	$ 34,986

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs

Medi-Cal Fee-For-Service

The Medi-Cal Demonstration Project restructured the financing method by which the State draws down federal matching funds for the inpatient hospital fee-for service (FFS) to cost-based reimbursement. The nonfederal share of the Medi-Cal FFS are provided by the hospitals primarily through certified public expenditures (CPE) whereby the hospital expends its local funding for services to draw down the federal financing participation, currently provided at a 50% match. For FY 2017-2018, an estimated $390.28 million of Medi-Cal FFS revenues were recorded as part of net patient service revenue.

Medi-Cal Physician State Plan Amendment

The Medi-Cal Demonstration Project payment for inpatient and other facility services excluded professional services. State Plan Amendment 05-23 allows professional services provided by public entities to be paid similarly to the inpatient hospital services under the Medi-Cal Demonstration Project. Hospitals are allowed to claim federal reimbursement for unreimbursed costs of Medi-Cal professional services (Hospital Inpatient, Emergency Room, and Psychiatric services), which is matched at the applicable FMAP rate for the year.

Revenues of $23.28 million were recognized and recorded as part of net patient service revenue during FY 2017-2018 and included adjustments for the over/under-realization of revenues associated with FYs 2006-2007 through FY2009-2010 and FYs 2014-2015 through FY2016-2017.

Cost Based Reimbursement Clinics

Cost Based Reimbursement Clinics (CBRC) reimburses 100% of allowable costs for outpatient services provided to Medi-Cal beneficiaries at the County's hospital-based clinics, outpatient centers and Ambulatory Care Network health centers (excluding clinics that provide predominately public health services). CBRC revenues in FY 2017-2018 were $241.61 million. As of June 30, 2018, the County estimated that approximately $132.19 million of CBRC accounts receivable would not be collectible within 12 months and this amount is classified as a noncurrent asset in the proprietary fund statements of net position for each hospital. Liabilities associated with CBRC are discussed in the Third Party Payor Liability section of this Note.

The General Fund received $1.19 million for CBRC, which was recorded as "Charges for Services" revenue on the governmental funds statement.

Medi-Cal Cost Report Settlements

In FY 2017-2018, the County recognized favorable audit settlements of $113.36 million related to FY 2012-2013, FY 2014-2015, and FY 2015-2016. The County’s various level appeals to the Office of Administrative Appeals of certain audit adjustments have been favorably resolved resulting in $4.57 million of final settlement revenues.

The State auditors are in the process of auditing the FY 2016-2017 cost reports and settlements are expected by the 4th quarter of FY 2018-2019.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Medi-Cal Managed Care Rate Supplements

The State is obtaining CMS' approval to continue the Medi-Cal Managed Care Rate Supplements (MCRS) paid to LA Care and Health Net Health Plans for FY 2017-2018. The supplements are funded by IGTs made by the County. The County does not receive the supplemental payments directly from the State; rather, the State contracts with LA Care and Health Net, which then subcontract for services with various provider networks.

In addition, in order to receive the supplemental payments, the County is required by Welfare and Institutions Code Section 14301.4, to pay the State a 20% administrative fee that is assessed on the full amount of the IGTs. This amount is also recorded as part of the IGT.

The total estimated managed care rate supplement revenues and related estimated IGTs recorded in FY 2017-2018, including prior year over/under realization, were as follows (in thousands):

	MCRS Revenues	Intergovernmental Transfers Expense
LA Care	$ 189,024	$ 73,668
Health Net	80,173	37,863
Total	$ 269,197	$ 111,531

Managed Care Rule

On April 25 2016, CMS published the Medicaid and Children's Health Insurance Program (CHIP) Managed Care Final Rule. The rule, many provisions of which went into effect July 1, 2017, is an update to the regulatory framework for Medicaid, aligning it as much as possible with Medicare and other commercial insurance requirements for issues like rate setting, access standards, grievances and appeals, and quality.

The managed care rule limits the ability of states to direct payments to health care providers, unless certain conditions are met. Among the allowable exceptions are payments tied to performance, and payments that provide a uniform payment increase which includes a pre-determined increase over contracted rates. The previous SPD-SB208 and AB85 MCE-to-Cost programs did not meet these conditions. In order to retain this critical funding, the following two programs were introduced:

1. Enhanced Payment Program
2. Quality Incentive Program

Enhanced Payment Program

The Enhanced Payment Program (EPP) creates a funding to be used to supplement the base rates public health care systems receive through Medi-Cal managed care contracts, meant to meet the managed care rule’s exception that allows payments that provide a uniform increase within a class of providers such as a predetermined increase over contracted rates.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Managed Care Rule-Continued

Enhanced Payment Program-Continued

Enhanced payments public health care systems would be eligible to receive depend largely on systems' existing payment arrangements with their managed care plans. Under the proposed structure, health plans would receive an add-on to their managed care rates and would provide interim payments to providers throughout the year. Payments would be reconciled at the end of the year, protecting health plans from any risk associated with payment.

At FY 2017-2018 year-end, the estimated EPP revenues and related IGTs are as follows (in thousands):

	EPP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	$ 155,941	$ 19,021
Olive View-UCLA Medical Center	95,202	14,162
LAC+USC Medical Center	190,019	20,988
Rancho Los Amigos National Rehab Center	5,979	1,386
Total	$ 447,141	$ 55,557

Quality Incentive Program

The Quality Incentive Program (QIP) is meant to meet the Managed Care Rule's exception that allows payments tied to performance.

The QIP represents a new pay for performance program for California's public health care systems that would convert funding from previously-existing supplemental payments into a value-based structure. QIP payments are tied to the achievement of performance on a set of clinically-established quality measures for Medi-Cal managed care enrollees.

The QIP is structured similar to the PRIME program. The QIP's measures do not directly overlap with any of the quality measures being used in PRIME, but are designed to be complementary.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Other Medi-Cal Programs-Continued

Managed Care Rule-Continued

Quality Incentive Program-Continued

At FY 2017-2018 year-end, the estimated QIP revenues and related IGTs are as follows (in thousands):

	QIP Revenues	Intergovernmental Transfers Expense
Harbor-UCLA Medical Center	$ 47,212	$ 23,606
Olive View-UCLA Medical Center	27,690	13,845
LAC+USC Medical Center	55,103	27,551
Rancho Los Amigos National Rehab Center	9,145	4,573
Total	$ 139,150	$ 69,575

Third Party Payor Liability

The County's Hospitals reported third party payor liabilities of $733.10 million (see Note 11) as of June 30, 2018, as reported on the statement of net position for proprietary funds. The current liabilities for amounts due within one year are $269.63 million. Due to a decrease in MCE rates for FYs 2015-2016 and 2016-2017, the County will pay back LA Care in FY 2018-2019 approximately $193.88 million. In addition, it is estimated that the County's Hospitals will pay $1.62 million in additional CBRC unallowable costs in FY 2018-2019.

The noncurrent liabilities for third party payors are $463.47 million. The primary programs associated with third party payors liabilities include DSH ($239.36 million), Medi-Cal ($75.36 million), SNCP ($54.95 million), Medicare ($68.74 million), SPD ($12.27 million) and other miscellaneous programs ($12.79 million).

Accounts Receivable-Net

The following is a summary, by hospital, of accounts receivable and allowances for uncollectible amounts as of June 30, 2018 (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total
Accounts receivable	$ 3,056,352	$ 1,832,175	$ 4,429,974	$ 717,854	$ 10,036,355
Less: Allowance for uncollectible amounts	2,316,690	1,387,453	3,600,514	509,411	7,814,068
Accounts receivable - net	$ 739,662	$ 444,722	$ 829,460	$ 208,443	$ 2,222,287

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Charity Care

Charity care includes those uncollectible amounts, for which the patient is unable to pay. Generally, charity care adjustment accounts are those accounts for which an indigence standard has been established and under which the patient qualifies. Inability to pay may be determined through the Department's Ability-to-Pay program, through other collection efforts by the Department, by the Treasurer and Tax Collector, or by an outside collection agency. Determinations of charity care may be made prior to, at the time of service, or any time thereafter. The total amount of such charity care provided by the hospitals for the year ended June 30, 2018 is as follows (in thousands):

Estimated cost of charity care	$	582,433
Charity care at established rates		1,060,335

Realignment

As a result of the ACA, the State of California (State) adopted and passed Assembly Bill 85 (AB85), as amended by Senate Bill 98, which lays out the process by which a portion of the 1991 County Health Realignment funds will be redirected to support Social Services programs based on a formula. The redirection is based on the assumption that the counties will decrease their cost for healthcare for the indigent population. These savings will be shared between the counties' health departments and the State. The sharing ratio is 80% State and 20% County for FYs 2014-2015 and beyond. AB85, as amended, provides a unique formula for the County to determine the amount to be redirected.

In FY 2017-2018, the State did not withhold any County's Health Realignment funds. This amount is expected to be reconciled against actual revenues and expenses for FY 2017-2018 within two years. The redirection amount will be subject to the State's review and approval. The financial impact of the potential redirection of realignment funding in future years is not yet known.

In FY 2016-2017, the State withheld $5.61 million from the County's Health Realignment funds. However, based on updated revenues realized for FY 2016-2017 services in FY 2017-2018, the projected redirection amount is $231.70 million. As a result, the "Intergovernmental Revenue State" revenue has been reduced by $226.09 million in the County's General Fund in FY 2017-2018.

In FY 2015-2016, the State withheld $100.73 million from the County's Health Realignment funds. However, based on updated revenues realized for FY 2015-2016 services in FY 2017-2018, the projected redirection amount is $314.31 million. As a result, the "Intergovernmental Revenue State" revenue has been reduced by $213.58 million in the County's General Fund in FY 2017-2018.

14. HOSPITAL AND OTHER PROGRAM REVENUES-Continued

Martin Luther King, Jr. Community Hospital

The County and the University of California ("UC"), with the State, have created a wholly independent, non-profit 501(c)(3) entity, the Martin Luther King, Jr. - Los Angeles Healthcare Corporation (MLK-LA), to operate a new hospital at the MLK-MACC site. The hospital will: i) serve as a safety-net provider treating a high volume of Medi-Cal and uninsured patients and ii) be integrated with the County's existing network of specialty and primary care ambulatory clinics. The seven-member MLK Hospital Board of Directors was appointed by the County and UC in August 2010. The new MLK Community Hospital opened on May 14, 2015.

To assist with the opening of the MLK Hospital, the County provided MLK-LA with $50.00 million of coordination start-up funds, $39.10 million of grant funding, and $82.00 million of long-term loan funding, which includes a 30-year loan in the amount of $50.00 million, a 10-year revolving line of credit in the amount of $20.00 million, and a 2-year loan in the amount of $12.00 million. On January 5, 2016, the Board of Supervisors approved an additional short-term revolving loan in the amount of $40.00 million to assist MLK-LA with post-hospital opening expenses. All the loans have been repaid in full, with the exception of the 30-year loan, which has a current outstanding balance of $46.43 million. In addition, the DHS has committed to make ongoing annual payments of $18.00 million for indigent care support, and $50.00 million of intergovernmental transfers for the benefit of the MLK Hospital.

15. INTERFUND TRANSACTIONS

Interfund Receivables/Payables

Interfund receivables and payables have been eliminated in the government-wide financial statements, except for “internal balances” that are reflected between the governmental and business-type activities. The majority of the interfund balances resulted from the time lag between the time that (1) goods and services were provided; (2) the recording of those transactions in the accounting system; and (3) payments between the funds were made. Interfund receivables and payables have been recorded in the fund financial statements. Such amounts arise due to the exchange of goods or services (or subsidy transfers) between funds that were pending the transfer of cash as of June 30, 2018.

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Cash transfers related to interfund receivables/payables are generally made within 30 days after year-end. Amounts due to/from other funds at June 30, 2018 are as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Fire Protection District	$ 16,014
	Flood Control District	5,667
	County Library	4,304
	Regional Park and Open Space District	6,652
	Mental Health Services Act	230,933
	Nonmajor Governmental Funds	116,738
	Harbor-UCLA Medical Center	64,713
	Olive View-UCLA Medical Center	41,723
	LAC+USC Medical Center	154,625
	Rancho Los Amigos Nat’l Rehab Center	15,013
	Waterworks Enterprise Funds	419
	Nonmajor Aviation Funds	30
	Internal Service Funds	8,363
		665,194
Fire Protection District	General Fund	1,083
	Nonmajor Governmental Funds	1,256
		2,339
Flood Control District	General Fund	1,691
	Nonmajor Governmental Funds	1,381
	Waterworks Enterprise Funds	231
	Nonmajor Aviation Funds	32
	Internal Service Funds	11,784
		15,119
County Library	General Fund	15,106
	Fire Protection District	1
	Flood Control District	6
	Nonmajor Governmental Funds	82
		15,195

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Mental Health Services Act	General Fund	$ 1,623
Nonmajor Governmental Funds	General Fund	17,998
	Fire Protection District	2
	Flood Control District	28
	Nonmajor Governmental Funds	10,910
	Internal Service Funds	16,137
		45,075
Harbor-UCLA Medical Center	General Fund	65,324
	Fire Protection District	21
	Nonmajor Governmental Funds	28,142
	Olive View-UCLA Medical Center	7,036
	LAC+USC Medical Center	3,079
	Rancho Los Amigos Nat'l Rehab Center	950
		104,552
Olive View-UCLA Medical Center	General Fund	48,037
	Fire Protection District	163
	Nonmajor Governmental Funds	7,333
	Harbor-UCLA Medical Center	10,381
	LAC+USC Medical Center	10,999
	Rancho Los Amigos Nat’l Rehab Center	1,299
		78,212
LAC+USC Medical Center	General Fund	12,767
	Fire Protection District	114
	Nonmajor Governmental Funds	68,786
	Harbor-UCLA Medical Center	10,349
	Olive View-UCLA Medical Center	115
	Rancho Los Amigos Nat’l Rehab Center	7,799
		99,930

15. INTERFUND TRANSACTIONS-Continued

Interfund Receivables/Payables-Continued

Receivable Fund	Payable Fund	Amount
Rancho Los Amigos Nat'l Rehab Center	General Fund	$ 19,324
	Fire Protection District	31
	Harbor-UCLA Medical Center	17
	LAC+USC Medical Center	15
		19,387
Waterworks Enterprise Funds	General Fund	53
	Internal Service Funds	1,464
		1,517
Nonmajor Aviation Funds	Fire Protection District	9
	Internal Service Funds	149
		158
Internal Service Funds	General Fund	25,094
	Fire Protection District	467
	Flood Control District	25,646
	Nonmajor Governmental Funds	36,690
	Harbor-UCLA Medical Center	2,473
	Olive View-UCLA Medical Center	51
	LAC+USC Medical Center	39
	Rancho Los Amigos Nat'l Rehab Center	1,432
	Waterworks Enterprise Funds	5,158
	Nonmajor Aviation Funds	879
		97,929
Total Interfund Receivables/Payables		$ 1,146,230

Interfund Transfers

Transfers were made during the year from the General Fund to subsidize the operations of the County Library and the four hospitals. Other transfers primarily consisted of payments from the various operating funds (principally the General Fund) to debt service funds in accordance with long-term debt covenants. In addition, special revenue funds that are statutorily restricted made transfers to other funds to augment funding for programs operated in the General Fund and hospitals.

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Interfund transfers to/from other funds for the year ended June 30, 2018 are as follows (in thousands):

Transfer From	Transfer To	Amount
General Fund	Fire Protection District	$ 1,590
	County Library	46,294
	Nonmajor Governmental Funds	106,051
	Harbor-UCLA Medical Center	217,612
	Olive View-UCLA Medical Center	187,796
	LAC+USC Medical Center	117,923
	Rancho Los Amigos Nat'l Rehab Center	6,943
	Internal Service Funds	181
		684,390
Fire Protection District	Nonmajor Governmental Funds	5,560
Flood Control District	Nonmajor Governmental Funds	23
	Internal Service Funds	2,784
		2,807
County Library	General Fund	1,326
	Nonmajor Governmental Funds	1,807
		3,133
Mental Health Services Act	General Fund	518,652
Nonmajor Governmental Funds	General Fund	196,683
	Fire Protection District	21,942
	Nonmajor Governmental Funds	15,243
	Harbor-UCLA Medical Center	55,386
	Olive View-UCLA Medical Center	28,893
	LAC+USC Medical Center	124,252
	Rancho Los Amigos Nat'l Rehab Center	10,726
	Internal Service Funds	3,152
		456,277
Harbor-UCLA Medical Center	Nonmajor Governmental Funds	347
	Rancho Los Amigos Nat'l Rehab Center	3,634
		3,981

15. INTERFUND TRANSACTIONS-Continued

Interfund Transfers-Continued

Transfer From	Transfer To	Amount
Olive View-UCLA Medical Center	Nonmajor Governmental Funds	$ 708
	Rancho Los Amigos Nat'l Rehab Center	15,522
		16,230
Rancho Los Amigos Nat'l Rehab Center	LAC+USC Medical Center	46,627
Waterworks Enterprise Funds	Nonmajor Governmental Funds	77
	Internal Service Funds	610
		687
Internal Service Funds	General Fund	10,907
	Harbor-UCLA Medical Center	3,652
	Olive View-UCLA Medical Center	2,311
	LAC+USC Medical Center	2,956
	Rancho Los Amigos Nat'l Rehab Center	2,365
		22,191
Total Interfund Transfers		$ 1,760,535

Interfund Advances

The General Fund, along with other funds that receive services from the Public Works Internal Service Fund, makes short-term advances to ensure sufficient cash is available to fund operations. In addition, the General Fund makes short-term and long-term advances to assist the Hospital Funds in meeting their cash flow requirements. The County estimates that a portion of Hospital revenue is not collectible within one year and has identified long-term receivables in each Hospital Enterprise Fund. To assist the Hospital Funds in meeting their cash flow requirements, the General Fund provided a $14.40 million long-term advance and classified a corresponding amount of fund balance as nonspendable balance.

15. INTERFUND TRANSACTIONS-Continued

Interfund Advances-Continued

Advances from/to other funds at June 30, 2018 are as follows (in thousands):

Receivable Fund	Payable Fund	Short-Term	Long-Term	Total
General Fund	Harbor-UCLA Medical Center	$ 77,439	$ 14,404	$ 91,843
	Olive View-UCLA Medical Center	2,331		2,331
	LAC+USC Medical Center	5,802		5,802
	Rancho Los Amigos Nat'l Rehab Center	21,988		21,988
	Internal Service Funds	2,876		2,876
		110,436	14,404	124,840
Flood Control District	Internal Service Funds	6,466		6,466
Nonmajor Governmental Funds	Internal Service Funds	11,323		11,323
Waterworks Enterprise Funds	Internal Service Funds	1,335		1,335
Total Interfund Advances		$ 129,560	$ 14,404	$143,964

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP

The County's statement of revenues, expenditures and changes in fund balances-budget and actual on budgetary basis for the major governmental funds has been prepared on the budgetary basis of accounting, which is different from GAAP.

The amounts presented for the governmental funds statements are based on the modified accrual basis of accounting and differ from the amounts presented on a budgetary basis of accounting. The major areas of difference are as follows:

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

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

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

- For the General Fund, obligations for accrued compensated absences and estimated liabilities for litigation and self-insurance are recorded as budgetary expenditures to the extent that they are estimated to be payable within one year after year-end. Under the modified accrual basis of accounting, such expenditures are not recognized until they become due and payable in accordance with GASB Interpretation 6.

- In conjunction with the sale of Tobacco Settlement Asset-Backed bonds in FY 2005-2006, the County sold 25.9% of its future tobacco settlement revenues. Under the budgetary basis, the proceeds were recognized as revenues. Under the modified accrual basis, the proceeds were recorded as deferred inflows of resources and are being recognized over the duration of the sale agreement, in accordance with GASB 48 and 65. This matter is also discussed in Note 11, under the caption, "Tobacco Settlement Asset-Backed Bonds."

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

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

- The County determined that certain assets were held by LACERA (the OPEB administrator) in an OPEB Agency Fund. For budgetary purposes, any excess payments (beyond the pay-as-you-go amount) are recognized as expenditures. Under the modified accrual basis, the expenditures are adjusted to recognize the OPEB Agency assets at June 30, 2018.

The following schedule is a reconciliation of the budgetary and GAAP fund balances for the major governmental funds (in thousands):

16. BUDGETARY ACCOUNTING DIFFERENCES/RECONCILIATIONS BETWEEN THE BUDGETARY BASIS AND GAAP-Continued

	General Fund	Fire Protection District	Flood Control District	County Library	Regional Park and Open Space District	Mental Health Services Act
Fund balance - budgetary basis	$ 1,929,332	$ 414	$ 66,675	$ 44,650	$ 151,753	$ 226,823
Budgetary fund balances	1,877,378	183,438	448,181	34,270	172,602	841,265
Subtotal	3,806,710	183,852	514,856	78,920	324,355	1,068,088
Adjustments:						
Accrual of estimated liability for litigation and self-insurance claims	173,934	412		283		
Accrual of compensated absences	81,756					
Unamortized balance of sale of tobacco settlement revenue	(222,747)					
Change in revenue accruals	(124,300)	(19,180)	(12,464)	(3,460)	(4,329)	(17,199)
Change in OPEB Agency Fund	179,838	10,571		1,670		
Subtotal	88,481	(8,197)	(12,464)	(1,507)	(4,329)	(17,199)
Fund balance - GAAP basis	$ 3,895,191	$ 175,655	$ 502,392	$ 77,413	$ 320,026	$ 1,050,889

17. OTHER COMMITMENTS

Construction and Other Significant Commitments

At June 30, 2018, there were contractual commitments of approximately $18.82 million for various general government construction projects and approximately $23.95 million for various hospital construction projects that were financed by bonds and lease revenue obligation notes.

LACERA Capital Commitments

At June 30, 2018, LACERA had outstanding capital commitments to various investment managers, approximating $4.800 billion.

17. OTHER COMMITMENTS-Continued

Encumbrances

The County uses "encumbrances" to control expenditure commitments for the year. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve applicable appropriations. Depending on the source(s) of funding, encumbrances are reported as part of restricted, committed or assigned fund balance on the governmental funds balance sheet. As of June 30, 2018, the encumbrance balances for the governmental funds (in thousands) are reported as follows:

	Restricted	Committed	Assigned	Total
General Fund	$	$	$ 435,779	$ 435,779
Fire Protection District	55,366			55,366
Flood Control District	106,418			106,418
County Library			16,200	16,200
Regional Park and Open Space District	75,134			75,134
Mental Health Services Act	1,134			1,134
Nonmajor Governmental Funds	114,591	6,296	2,717	123,604
Total Encumbrances	$ 352,643	$ 6,296	$ 454,696	$ 813,635

18. RISK MANAGEMENT

The County purchases insurance for certain risk exposures such as property, aviation, employee fidelity, boiler and machinery, cyber, catastrophic workers' compensation, art objects, volunteers, special events, public official bonds, crime, safety reserve employee death and disability, and fiduciary liability for the deferred compensation plans. There have been settlements related to these programs that exceeded self-insured retention in the last three years. Losses did not exceed coverage in FY 2015-2016, FY 2016-2017 or FY 2017-2018.

The County retains the risk for all other loss exposures. Major areas of risk include workers' compensation, medical malpractice, law enforcement, natural disasters, inverse condemnation, non-tort and tort liability. Expenditures are accounted for in the fund whose operations resulted in the loss. Claims expenditures and liabilities are reported when it is probable that a loss has been incurred and the amount of that loss, including those incurred but not reported, can be reasonably estimated. The County utilizes actuarial studies, historical data, and individual claims reviews to estimate these liabilities. The liabilities include estimable incremental claim adjustment expenses, net of salvage, and recovery/subrogation of approximately 10% of the total liability expenditures. They do not include other claim adjustment costs because the County does not believe it is practical or cost effective to estimate them.

18. RISK MANAGEMENT-Continued

As indicated in the following table, the County's workers' compensation balance as of June 30, 2018 was approximately $2.858 billion. This amount is undiscounted and is based on an actuarial study of the County's self-insured program as of June 30, 2018. Approximately $86.09 million of the total liabilities pertain to salary continuation payments and other related costs mandated by the State Labor Code.

As of June 30, 2018, the County's estimate of these liabilities is $3.158 billion. Changes in the reported liability since July 1, 2016 resulted from the following (in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes In Estimates	Claim Payments	Balance At Fiscal Year-End
2016-2017				
Workers' Compensation	$ 2,432,994	$ 629,023	$ (422,464)	$ 2,639,553
Other	294,992	82,396	(75,869)	301,519
Total	$ 2,727,986	$ 711,419	$ (498,333)	$ 2,941,072
2017-2018				
Workers' Compensation	$ 2,639,553	$ 679,229	$ (460,354)	$ 2,858,428
Other	301,519	86,925	(89,171)	299,273
Total	$ 2,941,072	$ 766,154	$ (549,525)	$ 3,157,701

In addition to the above estimated liabilities, the County has determined that claims seeking damages of approximately $195.75 million are reasonably possible of creating adverse judgments against the County. Because of the uncertainty of their outcome, no loss has been accrued for these claims.

19. POLLUTION REMEDIATION

The County is involved in several remediation actions to clean up pollution sites within its boundaries. These matters generally coincide with the County's ownership of land, buildings and infrastructure assets. In some cases, regulatory agencies (e.g., Regional Water Quality Board, State Department of Toxic Control, California Coastal Commission) notified the County of the need for remedial action. In addition, the County conducts its own environmental monitoring and this activity identifies pollution sites and matters requiring further investigation and possible remediation. Once the County is aware of these conditions, it commences monitoring, assessment, testing and/or cleanup activities, and recognizes a pollution remediation obligation when estimates can reasonably be determined. The pollution remediation obligation is an estimate and is subject to revision because of price increases or reductions, changes in technology, or changes in applicable laws or regulations. The types of pollution that have been identified include leaking underground storage tanks, water, groundwater and soil contamination, asbestos and lead paint contamination, methane gas detection and excessive levels of other contaminants. Remediation efforts include developing remediation and feasibility studies, source identification studies, site testing, sampling and analysis, ground water cleanup, and removal of storage tanks, asbestos tiles and other hazardous materials.

19. POLLUTION REMEDIATION-Continued

As of June 30, 2018, the County's estimated pollution remediation obligation totaled $46.02 million. This obligation was associated with the County's governmental activities. Obligations of enterprise and internal service funds were immaterial. The estimated liability was determined by project managers, based on historical cost information for projects of the same type, size and complexity and measured at their current value. In subsequent periods, the County will adjust the estimated obligation when new information indicates that such changes are required. At this time, the County has determined there are no estimated recoveries reducing the obligation.

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows and inflows of resources balances in the government-wide and the proprietary funds statement of net position as of June 30, 2018 are described as follows:

– The deferred outflows of resources, included on the government-wide statement of net position, relates to the unamortized losses on refunding of debt, changes in the net pension liability as discussed in Note 8, and changes in the net OPEB liability as discussed in Note 9. The unamortized losses on refunding of debt are a deferred charge on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

– The deferred inflows of resources, included on the government-wide statement of net position, relates to the future installment payments of service concession arrangements as discussed in Note 7, from changes in the net pension liability as discussed in Note 8, and from changes in the net OPEB liability as discussed in Note 9.

Government-wide
Statement of Net Position (in thousands)

	Governmental Activities	Business-type Activities	Total
Deferred outflows of resources:			
Unamortized losses on refunding of debt	$ 15,928		$ 15,928
Pensions	3,666,454	652,688	4,319,142
OPEB	704,831	140,317	845,148
Total government-wide deferred outflows of resources	$ 4,387,213	793,005	$ 5,180,218
Deferred inflows of resources:			
Service concession arrangements	$ 86,627		$ 86,627
Pensions	853,663	124,163	977,826
OPEB	1,507,145	310,206	1,817,351
Total government-wide deferred inflows of resources	$ 2,447,435	434,369	$ 2,881,804

20. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES-Continued

Proprietary Funds
Statement of Net Position (in thousands):

	H-UCLA	OV-UCLA	LAC+USC	Rancho	Total	ISF Funds
Deferred outflows of resources:						
Pensions	$ 202,507	127,325	267,117	55,739	$ 652,688	$ 136,096
OPEB	41,701	29,052	58,992	10,572	140,317	24,437
Total proprietary funds deferred outflows of resources	$ 244,208	156,377	326,109	66,311	$ 793,005	$ 160,533
Deferred inflows of resources:						
Pensions	$ 36,543	24,023	50,660	12,937	$ 124,163	$ 31,694
OPEB	89,489	55,123	132,951	32,643	310,206	70,524
Total proprietary funds deferred inflows of resources	$ 126,032	79,146	183,611	45,580	$ 434,369	$ 102,218

Deferred outflows and inflows of resources balances in the governmental funds balance sheet as of June 30, 2018 are described as follows:

- The intra-entity sales of future tobacco settlement revenues are reported as deferred inflows of resources in the General Fund and deferred outflows of resources in the nonmajor governmental funds.

- Under the modified accrual basis of accounting, earning revenues during the current period is not sufficient for revenue recognition in the current period. Revenue must also be susceptible to accrual (i.e., measurable and available to finance expenditures of the current period). Governmental funds report revenues not susceptible to accrual as deferred inflows of resources. The County has included two such items, which are property tax revenues to be collected beyond the 60 day accrual period, plus other long-term receivables, related mostly to SB90 claims, expected to be collected beyond the 12 month accrual period.

Governmental Funds
Balance Sheet (in thousands):

	General Fund	Fire Protection District	Flood Control District	County Library	Regional Park and Open Space District	Nonmajor Funds	Total
Deferred outflows of resources -							
Tobacco settlement revenues	$					222,747	$ 222,747
Deferred inflows of resources:							
Tobacco settlement revenues	$ 222,747						$ 222,747
Property tax revenues	119,077	26,938	8,177	4,404	3,504	7,934	170,034
Other long-term receivables	85,072	4,530				8,980	98,582
Total governmental funds deferred inflows of resources	$ 426,896	31,468	8,177	4,404	3,504	16,914	$ 491,363

21. FUND BALANCES

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned as described in Note 1. A detailed schedule of fund balances for all the major and nonmajor governmental funds at June 30, 2018 (in thousands) is as follows:

	General Fund	Fire Protection District	Flood Control District	County Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Government Funds
Fund Balances:							
Nonspendable:							
Inventories	$ 52,964	13,382	1	440			1
Long-term receivables	83,926						
Permanent fund principal							2,155
Total Nonspendable	136,890	13,382	1	440			2,156
Restricted for:							
Purpose of fund		162,273	502,292	17,614	320,026	1,050,889	1,152,059
Purpose of utility user tax	67,830						
Grand Avenue project	4,600						
Sheriff Pitchess landfill	2,976						
La Alameda project	2,000						
Capital projects							59,457
Debt service							371,022
Endowments and annuities							113
Total Restricted	77,406	162,273	502,292	17,614	320,026	1,050,889	1,582,651
Committed to:							
Purpose of fund							46,146
Capital projects and extraordinary maintenance	143,391						76,233
Health services-tobacco settlement	92,588						
Budget uncertainties	104,506						
Consolidated correctional treatment facility debt service	92,117						
Office of Diversion and Re-Entry Permanent Supportive Housing	80,084						
Assessor tax system	6,627						
Health services operations	16,000						
Interoperable and countywide communication	922						
Services to unincorporated areas	4,015						
Financial system	9,050						
Department of children and family services	8,840						
Health services future financial requirements	6,363						

21. FUND BALANCES-Continued

	General Fund	Fire Protection District	Flood Control District	County Library	Regional Park and Open Space District	Mental Health Services Act	Nonmajor Government Funds
Affordable Housing	$ 558						
Public works-permit tracking system	3,625						
TTC remittance processing and mailroom equipment	8,400						
Information technology enhancements	97,317						
Live scan	2,000						
Board budget policies and priorities	27,998						
TTC unsecured property tax system	463						
Sheriff unincorporated patrol	90						
Total Committed	704,954						122,379
Assigned to:							
Purpose of fund			99	59,359			122,006
Future purchases	478,647						
Capital projects							39,122
Imprest cash	1,418						
Total Assigned	480,065		99	59,359			161,128
Unassigned	2,495,876						
Total Fund Balances	$3,895,191	175,655	502,392	77,413	320,026	1,050,889	1,868,314

Reserve for “Rainy Day” Fund

On June 22, 2009, the Board established a Reserve for “Rainy Day” fund. The Reserve for “Rainy Day” fund was established and maintained to protect essential County programs against unforeseen emergencies and economic downturns. The Reserve cap should be 10.00% of on-going locally generated revenue. Transfers, at a minimum of ten percent (10.00%) of excess fund balance, less Board approved carryovers, will be set aside in the Rainy Day Fund and/or OPEB trust fund each year until the 10.00% cap is met. Excess fund balance is defined as the difference between the actual year-end fund balance amount as determined by the Auditor-Controller, less the estimated fund balance amount included in the Adopted Budget. Board approved carryover is defined as unspent funding that was previously approved by the Board for critical programs and/or uncompleted projects.

When the Reserve cap of 10.00% is reached, the annual 10.00% of excess fund balance amount should be deposited into the OPEB trust fund to be made available for unfunded retiree health obligations. The objective is to avoid on-going commitments with funding that may not be sustainable in an economic downturn.

The County’s “Rainy-Day” fund does not meet the criteria for a stabilization arrangement for reporting the funds as either restricted or committed. As such, the Reserve for “Rainy Day” funds in the amount of $478.06 million is reported as unassigned fund balance in the General Fund.

22. SUBSEQUENT EVENTS

Tax and Revenue Anticipation Notes (TRANS)

On July 2, 2018, the County issued $700,000,000 in 2018-2019 TRANS, which will mature on June 28, 2019. The TRANS are collateralized by taxes and other revenues attributable to the 2018-2019 fiscal year and were issued in the form of Fixed Rate Notes at an effective interest rate of 1.55%.

Los Angeles County Facilities Inc. (LACF) Lease Revenue Bonds Series 2018A and 2018B

LACF is a California nonprofit pubic benefit corporation and an organization described under Section 501(c)(3) of the Internal revenue Code of 1986. It was formed on April 28, 2016. On July 26, 2018, LACF issued $302,380,000 of lease revenue bonds, which includes $297,280,000 in tax-exempt lease revenue bonds (Series 2018A), maturing from 2023-2051, with yields ranging from 1.78% to 3.51%, and $5,100,000 in federally taxable lease revenue bonds (2018B), maturing in 2022, with a yield of 3.25%. Proceeds from the sale of the bonds will be used to finance the construction of the Vermont Corridor County Administration Building and parking structure. LACF will be included as a blended component unit in the FY 2018-19 CAFR.

Lease Revenue Obligation Notes (LRON)

On October 9, 2018, the LACCAL issued an additional $7,000,000 in LRON with an indicative interest rate of 2.88%. On November 15, 2018, the LACCAL issued an additional $20,000,000 in LRON with an indicative interest rate of 2.02%. After issuance, the interest rates are subject to change each month. The proceeds are being used to fund capital requirements of various capital projects. These LRON issuances are supported and secured by a revolving credit agreement and pledged County properties.

Medi-Cal Payments to Ineligible Beneficiaries

On October 30, 2018, the California State Auditor issued a report to the State Department of Health Care Services (SDHCS) that questioned California Medical Assistance Program (Medi-Cal) payments. The report covered the audit period from 2014 through 2017. The findings of $4.0 billion in Medi-Cal overpayments, including $2.1 billion related to Los Angeles County beneficiaries, primarily related to questionable payments made to ineligible beneficiaries during the four-year period, including those whose temporary eligibility status had expired. The State Auditor recommended that the SDHCS develop and implement a system to ensure timely resolution of any discrepancies between the State and counties. Additionally, in a letter dated November 19, 2018, the US Senate Committee on Homeland Security and Governmental Affairs has requested the Centers for Medicare and Medicaid Services (CMS) to review whether the federal government should seek refunds for the federal portions of potential overpayments and what actions CMS intends to take with respect to federal reimbursements. The financial impact, if any, in future years to the County has yet to be quantified with respect to this matter.

22. SUBSEQUENT EVENTS-Continued

Los Angeles County Flood Control District Parcel Tax (Measure W)

On November 6, 2018, Los Angeles County voters approved the Los Angeles County Flood Control District Parcel Tax (Measure W). Proceeds from the Tax will be used to fund projects and programs consistent with the expenditure plan in an ordinance ("Ordinance") amending the District Code establishing the Los Angeles Region, Safe, Clean Water Program. Projects include, but are not limited to; increasing stormwater capture and reducing urban runoff pollution which may increase water supply; improve water quality; and provide community investment benefits as defined in the Ordinance. Measure W is estimated to generate $300 million in annual revenue effective in FY 2019-20.

Woolsey Wildfire

In November 2018, a wind-driven wildfire known as the Woolsey Fire burned acreage located in both Ventura and Los Angeles Counties. According to the most recent CAL FIRE incident information reports, the Woolsey Fire burned 96,949 acres, destroyed an estimated 1,500 structures, and damaged an estimated 341 structures. The Federal Emergency Management Agency (FEMA) issued a Disaster Declaration for this fire on November 9, 2018. The financial impact in future years to the County has yet to be quantified with respect to this matter.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of the County's Proportionate Share of the Net Pension Liability and Related Ratios
Last 10 Fiscal Years[1,2]
(Dollar amounts in thousands)

	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Pension Plan's fiduciary net position as percentage of total pension liability	82.370%	81.749%	86.296%	86.804%
County's proportionate share of the collective net pension liability	$10,849,931	$10,272,671	$ 7,448,374	$ 6,957,082
County's proportion as percentage of the collective net pension liability	96.119%	96.170%	96.081%	95.897%
Covered payroll	$ 7,320,575	$ 6,986,004	$ 6,948,738	$ 6,672,228
County's proportionate share of the collective net pension liability as a percentage of its covered payroll	148.211%	147.046%	107.190%	104.269%

Schedule of County's Pension Contributions
Last 10 Fiscal Years[1,3]
(Dollar amounts in thousands)

	2018	2017	2016	2015
Actuarially Determined Contribution (ADC)	$1,466,411	$1,300,711	$ 1,389,628	$ 1,437,555
Less: Contributions in relation to the ADC	1,466,411	1,300,711	1,389,628	1,437,555
Contribution Deficiency (excess)	$ 0	$ 0	$ 0	$ 0
Covered payroll	$ 7,631,381	$ 7,320,575	$6,986,004[2]	$ 6,948,738
Contributions as a percentage of total covered payroll	19.216%	17.768%	19.892%	20.688%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable. Eventually, 10 years of data will be shown.
(2) Reflects data as of the measurement date.
(3) Reflects data as of the reporting date.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Notes to Required Supplementary Information

Changes of benefit terms

There were no plan changes after June 30, 2013.

Changes of assumptions
The following assumptions used to determine the Total Pension Liability have changed:

The Discount rate decreased from 7.63% as of the June 30, 2016 measurement date to 7.38% as of the June 30, 2017 measurement date, the inflation rate decreased from 3.00% to 2.75%, and the projected salary increases decreased from 3.50% to 3.25%.

There were no changes of assumptions in determining the ADC since FY 2014-15.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Los Angeles County Employees Retirement Association
Schedule of the County's Proportionate Share of the Net RHC OPEB Liability
Last 10 Fiscal Years[1,2]
(Dollar amounts in thousands)

	6/30/2017
County's proportion as a percentage of the collective net OPEB liability	95.391%
County's proportionate share of the collective net OPEB liability	$ 25,249,103
Covered-employee payroll	$ 8,176,831
County's proportionate share of the collective net OPEB liability as a percentage of its covered-employee payroll	308.788%
Plan fiduciary net position as a percentage of the total OPEB liability	2.730%

Schedule of County's RHC OPEB Contributions
Last 10 Fiscal Years[1,3]
(Dollar amounts in thousands)

	2018
Actuarially Determined Contribution (ADC)	$ 1,901,000
Less: Contributions in relation to the ADC	559,076
Contribution Deficiency (excess)	$ 1,341,924
Covered-employee payroll	$ 8,571,345
Contributions as a percentage of total covered-employee payroll	6.523%

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.
(2) Reflects data as of the measurement date.
(3) Reflects data as of the reporting date.

Los Angeles County Employees Retirement Association
Notes to Required Supplementary Information

Changes of benefit terms

None

Changes of assumptions

The Discount rate increased from 4.34% as of June 30, 2016 to 4.69% as of June 30, 2017.

The Investment rate of return decreased from 6.72% as of June 30, 2016 to 6.66% as of June 30, 2017.

COUNTY OF LOS ANGELES
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

Schedule of Changes in the Total LTD OPEB Liability and Related Ratios
Last 10 Fiscal Years[1]
(Dollar amounts in thousands)

	6/30/2017
Total OPEB Liability	
Service Cost	$ 49,068
Interest	33,546
Changes of benefit terms	
Differences between expected and actual experience	589
Changes of assumptions or other inputs	(106,200)
Contributions	
Net Investment Income	
Benefit payments	(63,430)
Net Change in Total OPEB Liability	(86,427)
Total LTD OPEB Liability - beginning	1,159,467
Total LTD OPEB Liability - ending	$ 1,073,040
Covered-employee payroll	$ 8,571,345
Total LTD OPEB Liability as a percentage of covered-employee payroll	12.519%

Notes to schedule:

Changes of benefit terms: No changes to benefit terms

Changes of assumptions:

Changes of Assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

As of June 30, 2016	2.85%
As of June 30, 2017	3.58%

(1) Historical information is required only for measurement periods for which GASB 75 is applicable. Eventually, 10 years of data will be shown.

Total LTD OPEB Liability
Notes to Required Supplementary Information

Changes of benefit terms

None

Changes of assumptions

The Discount rate increased from 2.85% as of June 30, 2017 to 3.58% as of June 30, 2018.

No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4 to pay related benefits.

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Site Lease, the Sublease and the Indenture are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2019E Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

Definitions

"Act" means the Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 et seq. of the California Government Code.

"Additional Bonds" means Bonds other than Series 2015 Bonds issued under the Indenture in accordance with the provisions thereof.

"Additional Rental Payments" means all amounts payable by the County as Additional Rental Payments pursuant to the Sublease.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest due on the Outstanding Bonds in such Bond Year, assuming that the Outstanding Bonds are retired as scheduled (including by reason of mandatory sinking fund redemptions), and (b) the scheduled principal amount of the Outstanding Bonds due in such Bond Year (including any mandatory sinking fund redemptions due in such Bond Year).

"Authority" means the Los Angeles County Public Works Financing Authority, a joint powers authority organized and existing under the laws of the State of California.

"Authority Event of Default" means an event described as such in the Sublease.

"Authorized Authority Representative" means any member of the Board of Directors of the Authority or the Treasurer of the Authority, and any other Person authorized by the Board of Directors of the Authority or the Treasurer of the Authority to act on behalf of the Authority under or with respect to the Indenture.

"Authorized County Representative" means the Treasurer and Tax Collector of the County or any authorized deputy or designee thereof, and any other Person authorized by the Board of Supervisors of the County or the Treasurer and Tax Collector of the County to act on behalf of the County under or with respect to the Indenture.

"Authorized Denominations" means, with respect to the Bonds, $5,000 and any integral multiple thereof.

"Average Annual Debt Service" means the average of the Annual Debt Service for all Bond Years, including the Bond Year in which the calculation is made.

"Base Rental Deposit Date" means the first Business Day next preceding each Interest Payment Date.

"Base Rental Payments" means all amounts payable to the Authority by the County as Base Rental Payments pursuant to the Sublease.

"Beneficial Owners" means those individuals, partnerships, corporations or other entities for whom the Participants have caused the Depository to hold Book-Entry Bonds.

"Bond Year" means each twelve-month period beginning on July 1 in each year and extending to the next succeeding June 30, both dates inclusive, except that the first Bond Year shall begin, with respect to the Series 2019E-1 Bonds and the Series 2019E-2 Bonds, on the Closing Date and end on June 30, 2020.

"Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds issued under the Indenture, and includes the Series 2015 Bonds and any Additional Bonds.

"Book-Entry Bonds" means the Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of the Indenture.

"Business Day" means a day other than (a) Saturday or Sunday, (b) a day on which banking institutions in the city or cities in which the Office of the Trustee is located are authorized or required by law to be closed, and (c) a day on which the New York Stock Exchange is authorized or obligated by law or executive order to be closed.

"Cede & Co." means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to Book-Entry Bonds.

"Closing Date" means, as appropriate to the context, the date upon which the Series 2015 Bonds, the Series 2015B Bonds, the Series 2015C Bonds, the Series 2016D Bonds, Series 2019E-1 Bonds, the Series 2019E-2 Bonds, or any Additional Bonds are delivered to the respective original purchaser thereof.

"Code" means the Internal Revenue Code of 1986.

"Common Reserve Account" means the account of that name established in the Reserve Fund pursuant to the Indenture to secure the Common Reserve Bonds.

"Common Reserve Bonds" means the Series 2015 Bonds, the Series 2015B Bonds, the Series 2015C Bonds, the Series 2016D Bonds and any Series of Additional Bonds secured by the Common Reserve Account as provided in the Supplemental Indenture providing for the issuance of each such Series of Additional Bonds.

"Continuing Disclosure Certificate" means the Continuing Disclosure Certificate with respect to each related Series of Bonds, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

"Costs of Issuance" means all the costs of issuing and delivering the Bonds, including, but not limited to, all printing and document preparation expenses in connection with the Indenture, the Sublease, the Site Lease, the Bonds and any preliminary official statement and final official statement pertaining to the Bonds, rating agency fees, CUSIP Service Bureau charges, market study fees, financial advisory fees, legal fees and expenses of counsel with respect to the financing of the Project, initial fees and expenses of the administrator of the financing of the Project, the initial fees and expenses of the Trustee and its counsel, any premium for a municipal bond insurance policy insuring payments of debt service on Additional Bonds or any Reserve Facility, and other fees and expenses incurred in connection with the issuance and delivery of the Bonds or the implementation of the financing of the Project, to the extent such fees and expenses are approved by the County.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Indenture.

"County" means the County of Los Angeles, a county and political subdivision of the State of California.

"Defeasance Securities" means (a) non-callable direct obligations of the United States of America ("United States Treasury Obligations"), (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, (c) Permitted Investments described in clause (8) of the definition thereof, or (d) securities eligible for "AAA" defeasance under then existing criteria of S&P or Moody's, or any combination thereof.

"Depository" means the securities depository acting as Depository pursuant to the Indenture.

"DTC" means The Depository Trust Company, New York, New York and its successors.

"Event of Default" means an event described as such in the Sublease or the Indenture, as applicable.

"Fitch" means Fitch, Inc., its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Indenture" means the Master Indenture, dated as of February 1, 2015, by and among the Authority, the County and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with the provisions thereof.

"Independent Insurance Consultant" means a nationally recognized independent actuary, insurance company or broker that has actuarial personnel experienced in the area of insurance for which the County is to be self-insured, as may from time to time be designated by the County.

"Interest Account" means the interest account established for the payment of interest of a Series of Bonds within the Payment Fund pursuant to the Indenture.

"Interest Payment Date" means (a) with respect to the Series 2015 Bonds, each June 1 and December 1, commencing December 1, 2015, (b) with respect to the Series 2015B Bonds and the Series 2015C Bonds, each June 1 and December 1, commencing December 1, 2015, (c) with respect to the Series 2016D Bonds, each June 1 and December 1, commencing December 1, 2016, (d) with respect to the Series 2019E-1 Bonds and the Series 2019E-2 Bonds, each June 1 and December 1, commencing December 1, 2019, and (e) with respect to any other Additional Bonds, as set forth in the Supplemental Indenture relating thereto, so long as any Bonds remain Outstanding.

"Laws and Regulations" means, with respect to the Property, any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection, hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Property.

"Lease Revenues" means all Base Rental Payments payable by the County pursuant to the Sublease, including any prepayments thereof, any Net Proceeds and any amounts received by the Trustee from, as a result of or in connection with the Trustee's pursuit of remedies under the Sublease upon a Sublease Default Event.

“Letter of Representations” means the letter of the Authority delivered to and accepted by the Depository on or prior to the delivery of the Bonds as Book-Entry Bonds setting forth the basis on which the Depository serves as depository for such Book-Entry Bonds, as originally executed or as it may be supplemented or revised or replaced by a letter to a substitute Depository.

“Maximum Annual Debt Service” means the largest Annual Debt Service for any Bond Year, including the Bond Year the calculation is made.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

“Net Proceeds” means any insurance proceeds or condemnation award paid with respect to any of the Property, which proceeds or award, after payment therefrom of all reasonable expenses incurred in the collection thereof, are in an amount greater than $50,000.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Indenture.

“Office of the Trustee” means the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the Authority and the County in writing; provided, however, that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted, which other office or agency shall be specified to the Authority and the County by the Trustee in writing.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority.

“Outstanding” means, when used as of any particular time with reference to Bonds, subject to the provisions of the Indenture, all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (a) Bonds previously canceled by the Trustee or delivered to the Trustee for cancellation, (b) Bonds paid or deemed to have been paid within the meaning of the provisions of the Indenture described under the heading “INDENTURE – Defeasance – Bonds Deemed To Have Been Paid,” and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Owner” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“Participating Underwriter” has the meaning ascribed thereto in the applicable Continuing Disclosure Certificate.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Bonds as securities depository.

“Payment Fund” means the fund by that name established in accordance with the Indenture.

“Permitted Encumbrances” means, with respect to the Property (a) liens for general *ad valorem* taxes and assessments, if any, not then delinquent, or which the County may, pursuant to provisions of the Sublease described under the heading “SUBLEASE – Representations And Warranties; Covenants And Agreements – Taxes,” permit to remain unpaid, (b) the Sublease, (c) the Site Lease, (d) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law, (e) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the Closing Date, and (f) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions established following the Closing Date which the County certifies in writing do not affect the intended use of the Property or impair the security granted to the Trustee for the benefit of the Owners of the Bonds by the Indenture and to which the Authority consents in writing.

"Permitted Investments" means any of the following to the extent then permitted by the general laws of the State of California applicable to investments by counties:

(1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively "United States Obligations"). These include, but are not necessarily limited to:

- U.S. Treasury obligations
  - All direct or fully guaranteed obligations
- Farmers Home Administration
  - Certificates of beneficial ownership
- General Services Administration
  - Participation certificates
- U.S. Maritime Administration
  - Guaranteed Title XI financing
- Small Business Administration
  - Guaranteed participation certificates
- Guaranteed pool certificates
- Government National Mortgage Association (GNMA)
  - GNMA-guaranteed mortgage-backed securities
  - GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
  - Local authority bonds

(2) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board ("FHLB"); (b) the Federal Home Loan Mortgage Corporation ("FHLMC"); (c) the Federal National Mortgage Association (FNMA); (d) Federal Farm Credit Bank ("FFCB"); (e) Government National Mortgage Association ("GNMA"); (f) Student Loan Marketing Association ("SLMA"); and (g) guaranteed portions of Small Business Administration ("SBA") 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, S&P, or 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.

(4) The Los Angeles 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. 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 either (a) is restricted to obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States or (b) is rated in the highest rating category by either S&P or Moody's.

(7) 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.

(8) Pre-refunded municipal obligations meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(9) Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P

(10) 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.

(11) Investment agreements and guaranteed investment contracts with issuers having a long-term debt rating of at least "AA-" or "Aa3" by S&P or Moody's, respectively.

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

"Principal Account" means the principal account established for the payment of principal of a Series of Bonds within the Payment Fund pursuant to the Indenture.

"Principal Payment Date" means a date on which the principal of the Bonds becomes due and payable, either as a result of the maturity thereof or by mandatory sinking fund redemption.

"Project" means the capital improvement projects described in the exhibit attached to the Indenture or any Supplemental Indenture entitled "Description of the Project" and the acquisition, construction, improvement, rehabilitation or replacement of other facilities the County deems a priority.

"Project Costs" means all costs of acquiring, constructing and installing the Project, including but not limited to:

(a) all costs which the County shall be required to pay to a seller or any other Person under the terms of any contract or contracts for the purchase of any portion of the Project;

(b) all costs which the County shall be required to pay a contractor or any other Person for the acquisition, construction and installation of any portion of the Project;

(c) obligations of the County incurred for services (including obligations payable to the County for actual out-of-pocket expenses of the County) in connection with the acquisition, construction and installation of the Project, including reimbursement to the County for all advances and payments made in connection with the Project prior to or after issuance of the Bonds;

(d) the actual out-of-pocket costs of the County for test borings, surveys, estimates and preliminary investigations therefor, as well as for the performance of all other duties required by or consequent to the proper acquisition, construction and installation of the Project, including administrative expenses under the Sublease and under the Indenture relating to the acquisition, construction and installation of the Project;

(e) Costs of Issuance, to the extent amounts for the payment thereof are not available in the Costs of Issuance Fund; and

(f) any sums required to reimburse the Authority or the County for advances made by the Authority or the County for any of the above items or for any other costs incurred and for work done by the Authority or the County which are properly chargeable to the Project.

"Project Fund" means the fund by that name established pursuant to the Indenture.

"Property" means the real property described in the Sublease, and any improvements thereto.

"Rebate Fund" means the fund by that name established pursuant to the Indenture.

"Rebate Requirement" has the meaning ascribed thereto in the respective Tax Certificate.

"Record Date" means the 15th calendar day of the month preceding each Interest Payment Date, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established pursuant to the Indenture.

"Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to the Indenture.

"Rental Payments" means, collectively, the Base Rental Payments and the Additional Rental Payments.

"Rental Period" means the twelve-month period commencing on July 1 of each year during the term of the Sublease.

"Reserve Account" means either the Common Reserve Account or any other reserve account established pursuant to the Indenture, which account may secure one or more Series of Additional Bonds as provided in the Supplemental Indenture providing for the establishment thereof.

"Reserve Facility" means any line of credit, letter of credit, insurance policy, surety bond or similar instrument, in form reasonably satisfactory to the Trustee, that (a) names the Trustee as beneficiary thereof, (b) provides for payment on demand, (c) cannot be terminated by the issuer thereof so long as any of the Bonds secured by such Reserve Facility remain Outstanding, (d) is issued by an obligor, the obligations of which under the Reserve Facility are, at the time such Reserve Facility is substituted for all or part of the moneys on deposit in the applicable Reserve Account, rated in one of the two highest rating categories (without regard to any modifier) by any one rating agency then rating the Bonds secured by such Reserve Facility), and (e) is deposited with the Trustee pursuant to Indenture.

"Reserve Fund" means the fund by that name established pursuant to the Indenture.

"Reserve Requirement" means, (a) with respect to the Common Reserve Bonds, as of the date of any calculation, the least of (i) 50% Maximum Annual Debt Service of such Common Reserve Bonds, (ii) 10% of the original aggregate principal amount of the Common Reserve Bonds (excluding Bonds refunded with the proceeds of subsequently issued Bonds), and (iii) 125% of Average Annual Debt Service of such Common Reserve Bonds, and (b) with respect to any Series of Additional Bonds that are not Common Reserve Bonds, such amount, if any, as shall be specified in the Supplemental Indenture authorizing the issuance of such Series of Additional Bonds; provided, however, that in no event shall any Reserve Requirement exceed an amount permitted by the Code.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such entity shall no longer perform the functions of a securities rating agency for any reason, the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority.

"Scheduled Termination Date" means December 1, 2044.

"Series" means the initial series of Bonds executed, authenticated and delivered on the date of initial issuance of the Bonds and identified pursuant to the Indenture as the Series 2015 Bonds, and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

"Series 2015 Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds (Multiple Capital Projects), 2015 Series A, issued under the Indenture.

"Series 2015B Bonds" means the Los Angeles County Public Works Public Financing Authority (Master Refunding Project) 2015 Series B (Tax-Exempt), issued under the Indenture.

"Series 2015C Bonds" means the Los Angeles County Public Works Public Financing Authority (Master Refunding Project) 2015 Series C (Federally Taxable), issued under the Indenture.

"Series 2016D Bonds" means the Los Angeles County Public Works Public Financing Authority Lease Revenue Bonds, 2016 Series D, issued under the Indenture.

"Series 2019E Bonds" means the Series 2019E-1 Bonds and the Series 2019E-2 Bonds.

"Series 2019E-1 Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-1, issued under the Indenture.

"Series 2019E-2 Bonds" means the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2, issued under the Indenture.

"Site Lease" means the Master Site Lease, dated as of February 1, 2015, by and between the County and the Authority, as originally executed and as it may from time to time be amended in accordance with the provisions thereof and of the Sublease.

"Sublease" means the Master Sublease, dated as of February 1, 2015, by and between the County and the Authority, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

"Sublease Default Event" means an event of default pursuant to and as described in the Sublease.

"Supplemental Indenture" means any supplemental indenture amendatory of or supplemental to the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized under the Indenture.

"Tax Certificate" means the respective Tax Certificate executed by the Authority at the time of issuance of the Series 2015 Bonds, the Series 2015B Bonds, the Series 2016D Bonds, the Series 2019E-1 Bonds, and the Series 2019E-2 Bonds, relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

"Tax-Exempt" means, with respect to interest on any obligations of a state or local government, including interest on the Series 2015 Bonds, the Series 2015B Bonds, the Series 2016D Bonds, the Series 2019E-1 Bonds, and the Series 2019E-2 Bonds, that such interest is excluded from the gross income of the holders thereof for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Trustee" means Zions Bank, a division of ZB, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, formerly known as Zions First National Bank, or any successor thereto as Trustee under the Indenture substituted in its place as provided therein.

"Verification Report" means, with respect to the deemed payment of Bonds pursuant to clause (ii)(B) of paragraph (a) of the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid," a report of a nationally recognized certified public accountant, or firm of such accountants, verifying that the Defeasance Securities and cash, if any, deposited in connection with such deemed payment satisfy the requirements of clause (ii)(B) of paragraph (a) of the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid."

"Written Certificate of the Authority" means a written certificate signed in the name of the Authority by an Authorized Representative of the Authority. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Certificate of the County" means a written certificate signed in the name of the County by an Authorized Representative of the County. Any such certificate may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Request of the Authority" means a written request signed in the name of the Authority by an Authorized Representative of the Authority. Any such request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Written Request of the County" means a written request signed in the name of the County by an Authorized Representative of the County. Any such request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

SITE LEASE

Lease of the Property; Rental

Lease of Property. The County leases to the Authority, and the Authority leases from the County, for the benefit of the Owners of the Bonds, the Property, subject only to Permitted Encumbrances, to have and to hold for the term of the Site Lease.

Rental. The Authority shall pay to the County as and for rental of the Property under the Site Lease, an amount set forth in the Site Lease with respect to each Series of Bonds (the "Site Lease Payment").

The County shall deposit the Site Lease Payment in one or more separate funds or accounts to be held and administered for the purpose of financing the Project. The Authority and the County find and determine that the amount of the Site Lease Payment does not exceed the fair market value of the leasehold interest in the Property which is conveyed under the Site Lease by the County to the Authority. No other amounts of rental shall be due and payable by the Authority for the use and occupancy of the Property under the Site Lease.

Quiet Enjoyment

The parties intend that the Property will be leased back to the County pursuant to the Sublease for the term thereof. Subject to any rights the County may have under the Sublease to possession and enjoyment of the Property, the County covenants and agrees that it will not take any action to prevent the Authority from having quiet and peaceable possession and enjoyment of the Property during the term of the Site Lease and will, at the request of the Authority and at the County's cost, to the extent that it may lawfully do so, join in any legal action in which the Authority asserts its right to such possession and enjoyment.

Special Covenants and Provisions

Waste. The Authority agrees that at all times that it is in possession of the Property, it will not commit, suffer or permit any waste on the Property, and that it will not willfully or knowingly use or permit the use of the Property for any illegal purpose or act.

Further Assurances and Corrective Instruments. The County and the Authority agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements to the Site Lease and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Property leased or intended so to be or for carrying out the expressed intention of the Site Lease, the Indenture and the Sublease.

Waiver of Personal Liability. All liabilities under the Site Lease on the part of the Authority shall be solely liabilities of the Authority as a joint powers authority, and the County releases each and every director, officer and employee of the Authority of and from any personal or individual liability under the Site Lease. No director, officer or employee of the Authority shall at any time or under any circumstances be individually or personally liable under the Site Lease to the County or to any other party whomsoever for anything done or omitted to be done by the Authority under the Site Lease.

All liabilities under the Site Lease on the part of the County shall be solely liabilities of the County as a governmental entity, and the Authority releases each and every member, officer and employee of the County of and from any personal or individual liability under the Site Lease. No member, officer or employee of the County shall at any time or under any circumstances be individually or personally liable under the Site Lease to the Authority or to any other party whomsoever for anything done or omitted to be done by the County under the Site Lease.

Taxes. The County covenants and agrees to pay any and all assessments of any kind or character and also all taxes, including possessory interest taxes, levied or assessed upon the Property.

Right of Entry. The County reserves the right for any of its duly authorized representatives to enter upon the Property at any reasonable time to inspect the same.

Representations of the County. The County represents and warrants to the Authority and the Trustee as follows:

(a) the County has the full power and authority to enter into, to execute and to deliver the Site Lease, and to perform all of its duties and obligations thereunder, and has duly authorized the execution of the Site Lease;

(b) except for Permitted Encumbrances, the Property is not subject to any dedication, easement, right of way, reservation in patent, covenant, condition, restriction, lien or encumbrance which would prohibit or materially interfere with the use of the Property for governmental purposes as contemplated by the County;

(c) all taxes, assessments or impositions of any kind with respect to the Property, except current taxes, have been paid in full; and

(d) the Property is necessary to the County in order for the County to perform its governmental functions.

Representations of the Authority. The Authority represents and warrants to the County and the Trustee that the Authority has the full power and authority to enter into, to execute and to deliver the Site Lease, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Site Lease.

Assignment, Selling and Subleasing

Assignment, Selling and Subleasing. The Site Lease may be assigned or sold, and the Property may be subleased, as a whole or in part, by the Authority, without the necessity of obtaining the consent of the County, if an event of default occurs under the Sublease. The Authority shall, within 30 days after such an assignment, sale or sublease, furnish or cause to be furnished to the County a true and correct copy of such assignment, sublease or sale, as the case may be.

The Authority shall assign all of its rights under the Site Lease to the Trustee appointed pursuant to the Indenture.

Restrictions on County. The County agrees that, except with respect to Permitted Encumbrances, it will not mortgage, sell, encumber, assign, transfer or convey the Property or any portion thereof during the term of the Site Lease.

Improvements

Title to all improvements made on the Property during the term of the Site Lease shall vest in the County.

Term; Termination

Term. The term of the Site Lease shall commence as of the date of commencement of the term of the Sublease and shall remain in full force and effect from such date to and including the Scheduled Termination Date, unless such term is extended or sooner terminated as provided in the Site Lease.

Extension; Early Termination. If, on the Scheduled Termination Date, the Bonds shall not be fully paid, or provision therefor made in accordance with the Indenture, or the Indenture shall not be discharged by its terms, or if the Rental Payments payable under the Sublease shall have been abated at any time, then the term of the Site Lease shall be automatically extended until the date upon which all Bonds shall be fully paid, or provision therefor made in accordance with the Indenture, and the Indenture shall be discharged by its terms, except that the term of the Site Lease shall in no event be extended more than ten years. If, prior to the Scheduled Termination Date, all Bonds shall be fully paid, or provisions therefor made in accordance with the Indenture, and the Indenture shall be discharged by its terms, the term of the Site Lease shall end simultaneously therewith.

Action on Default. In each and every case upon the occurrence and during the continuance of a default by the Authority under the Site Lease, the County shall have all the rights and remedies permitted by law, except the County, to the extent permitted by law, waives any and all rights to terminate the Site Lease.

Miscellaneous

Binding Effect. The Site Lease shall inure to the benefit of and shall be binding upon the County, the Authority and their respective successors and assigns.

Severability. In the event any provision of the Site Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision of the Site Lease.

Amendments; Substitution and Release. The Site Lease may be amended, changed, modified, altered or terminated only in accordance with the provisions of the Sublease. The County shall have the right to substitute alternate real property for the Property or to release portions of the Property as provided in the Sublease.

Assignment. The Authority and County acknowledge that the Authority has assigned its right, title and interest in and to the Site Lease to the Trustee pursuant to the Indenture. The County consents to such assignment. The County consents to the Indenture and acknowledges and agrees to the rights of the Trustee as set forth therein.

SUBLEASE

Lease of Property; Term

Lease of Property. The Authority leases to the County and the County leases from the Authority the Property, on the terms and conditions set forth in the Lease Agreement, subject to all Permitted Encumbrances.

The leasing of the Property by the County to the Authority pursuant to the Site Lease shall not effect or result in a merger of the County's leasehold estate in the Property as lessee under the Sublease and its fee estate in the Property as lessor under the Site Lease, and the Authority shall continue to have a leasehold estate in the Property pursuant to the Site Lease throughout the term thereof and of the Sublease. The Sublease shall constitute a sublease with respect to the Property. The leasehold interest in the Property granted by the County to the Authority pursuant to the Site Lease is and shall be independent of the Sublease and the Sublease shall not be an assignment or surrender of the leasehold interest in the Property granted to the Authority under the Site Lease.

Term; Occupancy. The term of the Sublease shall commence on the Closing Date and shall end on the Scheduled Termination Date, unless such term is extended or sooner terminated as provided in the Sublease. If, on the Scheduled Termination Date, all of the Bonds shall not be fully paid or deemed to have been paid in accordance with the provisions the Indenture, or any Rental Payments shall remain due and payable or shall have been abated at any time, then the term of the Sublease shall be extended until the date upon which all of the Bonds shall be fully paid or deemed to have been paid in accordance with the provisions of the Indenture, and all Rental Payments due and payable shall have been paid in full; provided, however, that the term of the Sublease shall in no event be extended more than ten years beyond the Scheduled Termination Date. If, prior to the Scheduled Termination Date, all of the Bonds shall be fully paid or deemed to have been paid in accordance with the provisions of the Indenture, and all Rental Payments due and payable shall have been paid in full, the term of the Sublease shall end simultaneously therewith.

Rental Payments

Base Rental Payments. *General.* The Rental Payments, including Base Rental Payments, for each Rental Period shall be paid by the County to the Authority for and in consideration of the right to use and occupy the Property and in consideration of the continued right to the quiet use and enjoyment thereof during such Rental Period.

The obligation of the County to pay the Base Rental Payments does not constitute a debt of the County or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the County or the State of California is obligated to levy or pledge any form of taxation or for which the County or the State of California has levied or pledged any form of taxation.

Base Rental Payments. Subject to the provisions of the Sublease described under the heading "SUBLEASE – Rental Payments – Rental Abatement," the County shall, on each Base Rental Deposit Date, pay to the Authority a Base Rental Payment in an amount equal to the principal of, and interest on, the Bonds due and payable on the next succeeding Principal Payment Date or Interest Payment Date, as applicable, including any such principal due and payable by reason of mandatory sinking fund redemption of the Bonds; provided, however, that the amount of such Base Rental Payment shall be reduced by the amount, if any, available in the Payment Fund, the Principal Account, the Interest Account on such Base Rental Deposit Date to pay such principal of, or interest on, the Bonds.

Payments other than Regularly Scheduled Payments. If the term of the Sublease shall have been extended pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Lease Of The Property; Term – Term; Occupancy," the obligation of the County to pay Rental Payments shall continue to and including the Base Rental Deposit Date preceding the date of termination of the Sublease (as so extended pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Lease Of Property; Term – Term; Occupancy"). Upon such extension, the Base Rental Payments payable during such extended term shall be established so that such Base Rental Payments will in the aggregate be sufficient to pay the unpaid principal of, and interest accrued and to accrue on, the Bonds; provided, however, that the Rental Payments payable in any Rental Period shall not exceed the annual fair rental value of the Property.

Additional Rental Payments. The County shall also pay, as Additional Rental Payments, such amounts as shall be required for the payment of the following:

(a) all taxes and assessments of any type or nature charged to the Authority or the County or affecting the Property or the respective interests or estates of the Authority or the County therein;

(b) all reasonable administrative costs of the Authority relating to the Property including, but without limiting the generality of the foregoing, salaries, wages, fees and expenses payable by the Authority under the Indenture, fees of auditors, accountants, attorneys or engineers, and all other necessary and reasonable administrative costs of the Authority or charges required to be paid by it in order to maintain its existence or to comply with the terms of the Indenture or the Sublease or to defend the Authority and its members, officers, agents and employees;

(c) insurance premiums for all insurance required pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Insurance;"

(d) any amounts with respect to the Bonds required to be rebated to the federal government in accordance with section 148(f) of the Code; and

(e) all other payments required to be paid by the County under the provisions of the Sublease or the Indenture.

Amounts constituting Additional Rental Payments payable under the Sublease shall be paid by the County directly to the person or persons to whom such amounts shall be payable. The County shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Trustee to the County stating the amount of Additional Rental Payments then due and payable and the purpose thereof.

Fair Rental Value. The parties to the Sublease have agreed and determined that the Rental Payments are not in excess of the fair rental value of the Property. In making such determination of fair rental value, consideration has been given to the uses and purposes which may be served by the Property and the benefits therefrom which will accrue to the County and the general public. Payments of the Rental Payments for the Property during each Rental Period shall constitute the total rental for said Rental Period.

Payment Provisions. Each installment of Base Rental Payments payable under the Sublease shall be paid in lawful money of the United States of America to or upon the order of the Authority at the Principal Office of the Trustee, or such other place or entity as the Authority shall designate. Notwithstanding any dispute between the Authority and the County, the County shall make all Rental Payments when due without deduction or offset of any kind and shall not withhold any Rental Payments pending the final resolution of such dispute. In the event of a determination that the County was not liable for said Rental Payments or any portion thereof, said payments or excess of payments, as the case may be, shall be credited against subsequent Rental Payments due under the Sublease or refunded at the time of such determination.

Appropriations Covenant. The County covenants to take such action as may be necessary to include all Rental Payments due under the Sublease in its annual budgets and to make necessary annual appropriations for all such Rental Payments. The covenants on the part of the County contained in this paragraph shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the County to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the County to carry out and perform such covenants.

Rental Abatement. Except as otherwise specifically provided in this paragraph, during any period in which, by reason of material damage to, or destruction or condemnation of, the Property, or any defect in title to the Property, there is substantial interference with the County's right to use and occupy any portion of the Property, Rental Payments shall be abated, and the County waives the benefits of California Civil Code Sections 1932(2) and 1933(4) and any and all other rights to terminate the Sublease by virtue of any such interference, and the Sublease shall continue in full force and effect. The amount of such abatement shall be such that the resulting Rental Payments do not exceed the lesser of (i) the amount necessary to pay the Rental Payments remaining unpaid, and (ii) the fair rental value for the use and possession of the Property of which there is no such substantial interference. The County and the Authority shall provide the Trustee with a certificate setting forth the amount of such abatement and the basis therefor. Such abatement shall continue for the period commencing with the date of interference resulting from such damage, destruction, condemnation or title defect and, with respect to damage to or destruction of the Property, ending with the substantial completion of the work of repair or replacement of the Property, or the portion thereof so damaged or destroyed, and the term of the Sublease shall be extended as provided in the provisions of the Sublease described under the heading "SUBLEASE – Lease Of Property; Term – Term; Occupancy;" provided, however, that such term shall in no event be extended more than ten years beyond the Scheduled Termination Date. Notwithstanding the foregoing, to the extent that moneys are available for the payment of Rental Payments in any of the funds and accounts established under the Indenture, Rental Payments shall not be abated as provided above but, rather, shall be payable by the County as a special obligation payable solely from said funds and accounts.

Representations and Warranties; Covenants and Agreements

Power and Authority of the County. The County represents and warrants to the Authority that (a) the County has the full power and authority to enter into, to execute and to deliver the Sublease, the Site Lease and the Indenture, and to perform all of its duties and obligations under the Sublease and thereunder, and has duly authorized the execution and delivery of the Sublease, the Site Lease and the Indenture, and (b) the Property is zoned for use for governmental related facilities.

Power and Authority of the Authority. The Authority represents and warrants to the County that the Authority has the full power and authority to enter into, to execute and to deliver the Sublease, the Site Lease and the Indenture, and to perform all of its duties and obligations thereunder, and has duly authorized the execution and delivery of the Sublease, the Site Lease and the Indenture.

Net-Net-Net Lease. The Sublease shall be, and shall be deemed and construed to be, a "net-net-net lease" and the Rental Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever and notwithstanding any dispute between the County and the Authority.

Disclaimer of Warranties. THE AUTHORITY MAKES NO AGREEMENT, WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROPERTY, OR WARRANTY WITH RESPECT THERETO. THE COUNTY ACKNOWLEDGES THAT THE AUTHORITY IS NOT A MANUFACTURER OF ANY PORTION OF THE PROPERTY OR A DEALER THEREIN, THAT THE COUNTY LEASES THE PROPERTY AS IS, IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE COUNTY.

Quiet Enjoyment. So long as no Event of Default shall have occurred and be continuing, the County shall at all times during the term of the Sublease peaceably and quietly have, hold and enjoy the Property without suit, trouble or hindrance from the Authority.

Right of Entry. The Authority shall have the right to enter upon and to examine and inspect the Property during reasonable business hours (and in emergencies at all times) for any purpose connected with the Authority's rights or obligations under the Sublease, and for all other lawful purposes.

Use of the Property. The County shall not use, operate or maintain the Property improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by the Sublease. In addition, the County agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of the Property) with all laws of the jurisdictions in which its operations may extend and any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Property; provided, however, that the County may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of the Authority, adversely affect the estate of the Authority in and to any of the Property or its interest or rights under the Sublease.

Maintenance and Utilities. As part of the consideration for rental of the Property, all improvement, repair and maintenance of the Property shall be the responsibility of the County, and the County shall pay for or otherwise arrange for the payment of all utility services supplied to the Property, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, ventilation, air conditioning, water and all other utility services, and shall pay for or otherwise arrange for payment of the cost of the repair and replacement of the Property resulting from ordinary wear and tear or want of care on the part of the County. In exchange for the Rental Payments, the Authority agrees to provide only the Property.

Additions to Property. Subject to the provisions of the Sublease described under the heading "SUBLEASE – Representations And Warranties; Covenants And Agreements – Liens," the County and any sublessee shall, at its own expense, have the right to make additions, modifications and improvements to the Property. To the extent that the removal of such additions, modifications or improvements would not cause material damage to the Property, such additions, modifications and improvements shall remain the sole property of the County or such sublessee, and neither the Authority nor the Trustee shall have any interest therein. Such additions, modifications and improvements shall not in any way damage the Property or cause it to be used for purposes other than those authorized under the provisions of state and federal law, and the Property, upon completion of any addition, modification or improvement made pursuant to this paragraph, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such addition, modification or improvement.

Installation of County's Equipment. The County and any sublessee may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed items of equipment or other personal property in or upon the Property. All such items shall remain the sole property of the County or such sublessee, and neither the Authority nor the Trustee shall have any interest therein. The County or such sublessee may remove or modify such equipment or other personal property at any time, provided that such party shall repair and restore any and all damage to the Property resulting from the installation, modification or removal of any such items, and the Property, upon completion of any installation, modification or removal made pursuant to this paragraph, shall be of a value which is at least equal to the value of the Property immediately prior to the making of such installation, modification or removal. Nothing in the Sublease shall prevent the County or any sublessee from purchasing items to be installed pursuant to this paragraph under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement as security for the unpaid portion of the purchase price thereof, provided that no such lien or security interest shall attach to any part of the Property.

Taxes. The County shall pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or the County or affecting the Property or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the County shall be obligated to pay only such installments as and when the same become due.

Upon notice to the Authority and the Trustee, the County or any sublessee may, at the County's or such sublessee's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority or the Trustee shall notify the County or such sublessee that, in the opinion of independent counsel, by nonpayment of any such items, the interest of the Authority in the Property will be materially endangered or the Property, or any part thereof, will be subject to loss or forfeiture, in which event the County or such sublessee shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority and the Trustee.

Liens. In the event the County shall at any time during the term of the Sublease cause any changes, alterations, additions, improvements, or other work to be done or performed or materials to be supplied, in or upon the Property, the County shall pay, when due, all sums of money that may become due for, or purporting to be for, any labor, services, materials, supplies or equipment furnished or alleged to have been furnished to or for the County in, upon or about the Property and which may be secured by a mechanics', materialmen's or other lien against the Property or the Authority's interest therein, and shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that, if the County desires to contest any such lien, it may do so as long as such contest is in good faith. If any such lien shall be reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and said stay thereafter expires, the County shall forthwith pay and discharge said judgment.

Compliance with Law, Regulations, Etc. The County represents and warrants that, after due inquiry, it has no knowledge and has not given or received any written notice indicating that the Property or the use thereof or any practice, procedure or policy employed by it in the conduct of its business with respect to the Property materially violates any Laws and Regulations.

No Condemnation. The County shall not exercise the power of condemnation with respect to the Property. If for any reason the foregoing covenant shall be held by a court of competent jurisdiction to be unenforceable and the County condemns the Property or if the County breaches such covenant, the County agrees that the value of the County's leasehold estate under the Sublease in the Property shall be not less than the greater of (a) the amount sufficient to redeem the Bonds pursuant to the Indenture if the Bonds are then subject to redemption, or (b) the amount sufficient to defease the Bonds to the first available redemption date in accordance with the Indenture if the Bonds are not then subject to redemption.

Authority's Purpose. So long as any Bonds are Outstanding, the Authority shall not engage in any activities inconsistent with the purposes for which the Authority is organized, as set forth in the agreement pursuant to which the Authority was created.

Insurance

Public Liability and Property Damage Insurance; Workers' Compensation Insurance. (a) The County shall maintain reasonable and customary liability insurance. The County's obligation under the provisions of the Sublease described under the heading "Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" may be satisfied by self-insurance, provided that such self-insurance complies with the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Self Insurance."

(b) The County shall maintain or cause to be maintained casualty insurance insuring the Property against fire, lightning and all other risks covered by an extended coverage endorsement (excluding earthquake) to the full insurable value of the Property, subject to a $100,000 loss deductible provision. Full insurable value shall be evaluated at least every five years by an Independent Insurance Consultant or the County's Risk Manager and shall not be less than the aggregate principal amount of the Outstanding Bonds. The insurance required under this paragraph (b) may be maintained in whole or in part in the form of self-insurance, provided that such self-insurance complies with the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Self Insurance."

(c) The County shall maintain rental interruption insurance to cover the Authority's loss, total or partial, of Base Rental Payments resulting from the loss, total or partial, of the use of any part of the Property as a result of any of the hazards required to be covered pursuant to paragraph (b) above in an amount not less than an amount equal to two times Maximum Annual Debt Service. The insurance required under this paragraph (c) may not be maintained in whole or in part in the form of self-insurance.

(d) The insurance required by the provisions under the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" shall be provided by insurers rated "A" or better by Fitch, A.M. Best Company or S&P.

Additional Insurance Provision; Form of Policies. The County shall pay or cause to be paid when due the premiums for all insurance policies required by the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance." All such policies shall provide that the Trustee shall be given 30 days notice of the expiration thereof, any intended cancellation thereof or any reduction in the coverage provided thereby. The Trustee shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Trustee.

The County shall, following receipt of a written request of the Trustee, cause to be delivered to the Trustee on or before August 15 of each year, a schedule of the insurance policies being maintained in accordance with the Sublease and a Written Certificate of the County stating that such policies are in full force and effect and that the County is in full compliance with the requirements of the provisions of the Sublease described under the heading "SUBLEASE – Insurance." The Trustee shall be entitled to rely upon said Written Certificate of the County as to the County's compliance with the provisions of the Sublease described under the heading "SUBLEASE – Insurance." The Trustee shall not be responsible for the sufficiency of the coverage or the amounts of such policies.

Self-Insurance. Insurance provided through a California joint powers authority of which the County is a member or with which the County contracts for insurance shall be deemed to be self-insurance for purposes of the Sublease. Any self-insurance maintained by the County pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Insurance" must be approved in writing by an Independent Insurance Consultant or the County's Risk Manager.

Title Insurance. The County shall provide, at its own expense, one or more CLTA title insurance policies for the Property, in the aggregate amount of not less than the aggregate principal amount of the Bonds. Said policy or policies shall insure (a) the fee interest of the County in the Property, (b) the Authority's ground leasehold estate in the Property under the Site Lease, and (c) the County's leasehold estate under the Sublease in the Property, subject only to Permitted Encumbrances; provided, however, that one or more of said estates may be insured through an endorsement to such policy or policies. All Net Proceeds received under said policy or policies shall be deposited with the Trustee and applied as provided in the provisions of the Indenture described under the heading "SUBLEASE – net proceeds and title insurance; covenants – Title Insurance." So long as any of the Bonds remain Outstanding, each policy of title insurance obtained pursuant thereto or required thereby shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Owners.

Eminent Domain

If all of the Property (or portions thereof such that the remainder is not usable for public purposes by the County) shall be taken under the power of eminent domain, the term of the Sublease shall cease as of the day that possession shall be so taken. If less than all of the Property shall be taken under the power of eminent domain and the remainder is usable for public purposes by the County at the time of such taking, then the Sublease shall continue in full force and effect as to such remainder, and the parties waive the benefits of any law to the contrary, and in such event there shall be a partial abatement of the Rental Payments in accordance with the provisions of the Sublease described under the heading "SUBLEASE – Rental Payments – Rental Abatement." So long as any Bonds shall be Outstanding, any award made in eminent domain proceedings for the taking of the Property, or any portion thereof, shall be paid to the Trustee and applied to the redemption of Bonds as provided in the Indenture. Any such award made after all of the Bonds, and all other amounts due under the Indenture and under the Sublease, have been fully paid, shall be paid to the County.

Right to Redeem Bonds

(a) The County shall have the right to cause the Bonds to be redeemed pursuant to, and in accordance with the provisions of, the Indenture by providing the Trustee with funds sufficient for such purpose (which funds may be derived by the County from any source) and giving notice of the County's exercise of such right as provided in paragraph (b) below.

(b) In order to exercise its right to cause Bonds to be redeemed pursuant to paragraph (a) above, the County shall give written notice to the Trustee of its intention to exercise such right, specifying the date on which such redemption shall be made, which date shall be not less than 45 days from the date such notice is given (unless otherwise agreed by the Trustee), and specifying the Series, maturities and amounts of Bonds to be redeemed.

(c) The County shall have the right to cause Bonds to be deemed to have been paid pursuant to, and in accordance with the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid" by providing the Trustee with funds sufficient for such purpose (which funds may be derived by the County from any source) and providing and delivering, or causing to be provided and delivered the other items required pursuant to the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid" to be provided or delivered in connection with such deemed payment.

Assignment and Subletting; Substitution or Release; Title

Assignment and Subleasing. Neither the Sublease nor any interest of the County under the Sublease shall be sold, mortgaged, pledged, assigned, or transferred by the County by voluntary act or by operation of law or otherwise; provided, however, that the Property may be subleased in whole or in part by the County, but only subject to the following conditions, which are made conditions precedent to any such sublease:

(a) the Sublease and the obligation of the County to make all Rental Payments under the Sublease shall remain the primary obligation of the County;

(b) the County shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trustee a true and complete copy of such sublease;

(c) no such sublease by the County shall cause the Property to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State of California;

(d) any sublease of the Property by the County shall explicitly provide that such sublease is subject to all rights of the Authority under the Sublease; and

(e) the County shall have filed or caused to be filed with the Authority and the Trustee an Opinion of Counsel to the effect that such sublease will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income tax purposes.

Substitution or Release of the Property. Subject to the provisions of the Sublease described under this heading entitled "Substitution or Release of the Property," the County shall have the right to substitute alternate real property for any portion of the Property or to release a portion of the Property from the Sublease. All costs and expenses incurred in connection with any such substitution or release shall be borne by the County. Notwithstanding any substitution or release pursuant to the provisions of the Sublease described under this heading entitled "Substitution or Release of the Property," there shall be no reduction in or abatement of the Base Rental Payments due from the County under the Sublease as a result of such substitution or release. Any such substitution or release of any portion of the Property shall be subject to the following conditions, which are made conditions precedent to such substitution or release:

(a) a qualified employee of the County or an independent certified real estate appraiser selected by the County shall have found (and shall have delivered a certificate to the Trustee setting forth its findings) that (i) the sum of Base Rental Payments plus Additional Rental Payments due under the Sublease in any Rental Period is not in excess of the annual fair rental value of the Property, as constituted after such substitution or release, and (ii) the Property, as constituted after such substitution or release, has a useful life equal to or greater than the maximum remaining term of the Sublease (including extensions thereof under the provisions of the Sublease described under the heading "SUBLEASE – Lease Of Property; Term – Term; Occupancy").

(b) the County shall have obtained or caused to be obtained a CLTA title insurance policy or policies with respect to any substituted property in the amount of the fair market value of such substituted property (which fair market value shall have been determined by a qualified employee of the County or an independent certified real estate appraiser), of the type and with the endorsements described in the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Title Insurance;"

(c) the County shall have filed or caused to be filed with the Trustee an Opinion of Counsel to the effect that such substitution or release will not, in and of itself, cause the interest on Tax-Exempt Bonds to be included in gross income for federal income tax purposes;

(d) the County shall have given, or shall have made arrangements for the giving of, any notice of the occurrence of such substitution or release required to be given pursuant to paragraph (4) of subsection (b) of Section 5 of the Continuing Disclosure Certificate;

(e) the County, the Authority and the Trustee shall have executed, and the County shall have caused to be recorded with the county recorder of the county in which the Property is located, any document necessary to reconvey to the County the portion of the Property being substituted or released and to include any substituted real property in the description of the Property contained in the Sublease and in the Site Lease; and

(f) the County shall have certified to the Trustee that the substituted real property is essential for performing the County's governmental functions.

Title to Property. Upon the termination or expiration of the Sublease (other than as provided in the Sublease described under the heading "SUBLEASE – Events of Defaults and Remedies – Action on Default"), and the first date upon which no Bonds are any longer Outstanding, all right, title and interest in and to the Property shall vest in the County. Upon any such termination or expiration, the Authority shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Events of Default and Remedies

Events of Default. The occurrence, from time to time, of any one or more of the following events shall constitute an Event of Default under the Sublease:

(a) the failure of the County to pay any Rental Payment payable under the Sublease when the same becomes due and payable, time being expressly declared to be of the essence in the Sublease;

(b) the failure by the County to observe and perform any of the other covenants, agreements or conditions on its part in the Sublease contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the County by the Trustee, the Authority or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the County, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time, provided, further, however, that the period of time for such cure shall not exceed 90 days without the prior written consent of the Authority;

(c) except as otherwise expressly permitted by the Sublease, the assignment or transfer, either voluntarily or by operation of law or otherwise, of the County's interest in the Sublease or any part thereof without the written consent of the Authority;

(d) the abandonment of the Property by the County; or

(e) the commencement by the County of a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Action on Default. (a) In each and every case during the continuance of an Event of Default under the Sublease, the Authority shall have the right, without terminating the Sublease or the County's right to possession of the Property, to collect each installment of Rental Payments as the same become due and enforce any other terms or provisions of the Sublease to be kept or performed by the County, regardless of whether or not the County has abandoned the Property. The County shall remain liable and agrees to keep or perform all covenants and conditions contained in the Sublease to be kept or performed by the County and to pay the full amount of the Rental Payments to the end of the term of the Sublease; and further agrees to pay said Rental Payments punctually at the same time and in the same manner as provided above for the payment of Rental Payments under the Sublease, notwithstanding the fact that the Authority may have received in previous years or may receive thereafter in subsequent years Rental Payments in excess of the Rental Payments specified in the Sublease.

(b) NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THE SUBLEASE, THE AUTHORITY EXPRESSLY WAIVES ANY RIGHT TO TERMINATE THE SUBLEASE OR THE COUNTY'S RIGHT TO POSSESSION OF THE PROPERTY UNDER THE SUBLEASE REGARDLESS OF WHETHER OR NOT THE COUNTY HAS ABANDONED THE PROPERTY, AND THE AUTHORITY EXPRESSLY WAIVES ANY RIGHT OF ENTRY OR RE-ENTRY TO TAKE POSSESSION OF AND/OR RE-LET THE PROPERTY. Without limiting the generality of the foregoing, the Authority expressly waives the right to receive any amount from the County pursuant to California Civil Code Section 1951.2(a)(3).

Other Remedies. In addition to the other remedies provided for in the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default" of the Sublease and subject to the provisions of paragraph (b) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," during the continuance of an

Event of Default under the Sublease, the Authority shall be entitled to proceed to protect and enforce the rights vested in the Authority by the Sublease or by law. The provisions of the Sublease and the duties of the County and of its board, officers or employees shall be enforceable by the Authority by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing and subject to the provisions of paragraph (b) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," the Authority shall have the right to bring the following actions:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the County or any board member, officer or employee thereof, and to compel the County or any such board member, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Sublease;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the County and its board, officers and employees to account as if it or they were the trustee or trustees of an express trust.

No Acceleration. Notwithstanding anything to the contrary contained in the Sublease, the Authority shall have no right to accelerate Rental Payments upon the occurrence or continuance of a default or an Event of Default under the Sublease.

Remedies Not Exclusive. Subject to the provisions of paragraph (b) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," no remedy therein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the Sublease existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. If any statute or rule of law validly shall limit the remedies given to the Authority under the Sublease, the Authority nevertheless shall, subject to the provisions of paragraph (b) of the provisions of the Sublease described under the heading "SUBLEASE – Events of Default and Remedies – Action on Default," be entitled to whatever remedies are allowable under any statute or rule of law.

Waiver. No delay or omission of the Authority to exercise any right or power arising from the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by the Sublease to the Authority may be exercised from time to time and as often as may be deemed expedient. A waiver of a particular default or Event of Default shall not be deemed to be a waiver of any other default or Event of Default or of the same default or Event of Default subsequently occurring. The acceptance of Rental Payments under the Sublease shall not be, or be construed to be, a waiver of any term, covenant or condition of the Sublease.

Attorney's Fees. In the event the Authority shall prevail in any action brought to enforce any of the terms and provisions of the Sublease, the County agrees to pay a reasonable amount as and for attorney's fees incurred by the Authority in attempting to enforce any of the remedies available to the Authority under the Sublease.

Authority Event of Default; Action on Authority Event of Default. The failure by the Authority to observe and perform any covenants, agreements or conditions on its part in the Sublease contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority and the Trustee, by the County, shall constitute an Authority Event of Default under the Sublease; provided, however, that if, in the reasonable opinion of the Authority the failure stated in the notice can be corrected, but not within such 60 day period, such failure shall not constitute an Authority Event of Default if corrective action is instituted by the Authority within such 60 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time. In each and every case upon the occurrence and during the continuance of an Authority Event of Default by the Authority under the Sublease, the County shall have all the rights and remedies permitted by law.

Amendments

The Sublease and the Site Lease, and the rights and obligations of the County and the Authority thereunder, may be amended at any time by an amendment thereto, which shall become binding upon execution by the County and the Authority, but only with the prior written consent of the Owners of a majority of the aggregate principal amount of Bonds then Outstanding, exclusive of Bonds disqualified as provided in the provisions of the Indenture described under the heading "INDENTURE – Miscellaneous – Disqualified Bonds." No such amendment shall (i) extend the payment date of any Base Rental Payment or reduce the amount of any Base Rental Payment without the prior written consent of the Owner of each Bond so affected, (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required for any amendment of the Sublease or the Site Lease to become binding without the prior written consent of the Owners of all the Bonds then Outstanding, or (iii) amend the provisions of the Sublease described under the heading "INDENTURE – Amendments – Amendments" without the prior written consent of the Owners of all the Bonds then Outstanding.

The Sublease and the Site Lease, and the rights and obligations of the County and the Authority thereunder, may also be amended at any time by an amendment thereto, which shall become binding upon execution by the County and the Authority, without the written consents of any Owners, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the County or the Authority therein contained other covenants and agreements thereafter to be observed, or to surrender any right or power therein reserved to or conferred upon the County or the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in therein or in regard to questions arising thereunder which the County or the Authority may deem desirable or necessary and not inconsistent with the Sublease;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the Indenture;

(iv) to provide for the substitution or release of a portion of the Property in accordance with the provisions of the Sublease described under the heading "SUBLEASE – Assignment And Subletting; Substitution Or Release; Title – Substitution or Release of the Property;"

(v) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds or maintain any federal interest subsidies expected to be received with respect to any Bonds; or

(vi) to make such other changes in the Sublease or therein as the County or the Authority may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners.

Miscellaneous

Authority Not Liable. The Authority and its directors, officers, agents and employees, shall not be liable to the County or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on or about the Property. To the extent permitted by law, the County shall, at its expense, indemnify and hold the Authority and its directors, officers, agents and employees harmless against and from any and all claims by or on behalf of any Person arising from the acquisition, construction, occupation, use, operation, maintenance, possession, conduct or management of any work done in or about the Property or from the subletting of any part thereof, including any liability for violation of conditions, agreements, restrictions, laws, ordinances, or regulations affecting the Property or the occupancy or use thereof, but excepting the negligence or willful misconduct of the persons or entity seeking indemnity. In no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection with or arising out of the Sublease or the County's use of the Property.

Assignment to Trustee; Effect. The parties to the Sublease understand and agree that, upon the execution and delivery of the Indenture (which is occurring simultaneously with the execution and delivery of the Sublease), all right, title and interest of the Authority in and to the Sublease will be sold, assigned and transferred to the Trustee for the benefit of the Owners of the Bonds. The County consents to such sale, assignment and transfer. Upon the execution and delivery of the Indenture, references in the operative provisions of the Sublease to the Authority shall be deemed to be references to the Trustee, as assignee of the Authority.

Validity and Severability. If for any reason any one or more of the agreements, covenants or terms of the Sublease shall be held by a court of competent jurisdiction to be void, voidable or unenforceable by the County or by the Authority, all of the remaining agreements, covenants and terms of the Sublease shall nonetheless continue in full force and effect. If for any reason it is held by such a court that any agreement, covenant or term of the Sublease required to be observed or performed by the County, including the covenant to pay Rental Payments, is unenforceable for the full term of the Sublease, then and in such event the Sublease is and shall be deemed to be a lease from year to year under which the Rental Payments are to be paid by the County annually in consideration of the right of the County to possess, occupy and use the Property, and all of the other agreements, covenants and terms of the Sublease, except to the extent that such agreements, covenants and terms are contrary to or inconsistent with such holding, shall remain in full force and effect.

INDENTURE

The Bonds

Conditions for the Issuance of Additional Bonds. The Authority may at any time issue one or more Series of Additional Bonds (in addition to the Series 2015 Bonds, the Series 2015B Bonds, the Series 2015C Bonds, the Series 2016D Bonds, the Series 2019E-1 Bonds, and the Series 2019E-2 Bonds) payable from Lease Revenues as provided in the Indenture on a parity with all other Bonds theretofore issued under the Indenture, but only subject to the following conditions, which are made conditions precedent to the issuance of such Additional Bonds:

(a) neither the Authority nor the County shall be in default under the Indenture, the Sublease or the Site Lease;

(b) the issuance of such Additional Bonds shall have been authorized under and pursuant to the Act and under and pursuant to the Indenture and shall have been provided for by a Supplemental Indenture which shall specify the following:

(i) the purposes for which such Additional Bonds are to be issued; provided, that the proceeds of the sale of such Additional Bonds shall be applied only for one or more of the following purposes: (A) providing funds to pay costs of County facilities (including capitalized interest), (B) providing funds to refund any Bonds issued under the Indenture or other obligations of the County, (C) providing funds to pay Costs of Issuance incurred in connection with the issuance of such Additional Bonds, and (D) providing funds to make any deposit to any Reserve Account required pursuant to paragraph (c) below;

(ii) the principal amount and designation of such Series of Additional Bonds and the denomination or denominations of the Additional Bonds, which shall be Authorized Denominations;

(iii) that such Additional Bonds shall be payable as to interest on the Interest Payment Dates, except that the first installment of interest may be payable on either June 1 or December 1;

(iv) the date, the maturity date or dates and the dates on which mandatory sinking fund redemptions, if any, are to be made for such Additional Bonds; provided, that (A) the serial Bonds of such Series of Additional Bonds shall be payable as to principal annually on December 1 of each year in which principal falls due, and the term Bonds of such Series of Additional Bonds shall have annual mandatory sinking fund redemptions on December 1, (B) all Additional Bonds of a Series of like maturity shall be identical in all respects, except as to number or denomination, and (C) serial maturities of serial Bonds or mandatory sinking fund redemptions for term Bonds, or any combination thereof, shall be established to provide for the redemption or payment of such Additional Bonds on or before their respective maturity dates;

(v) the redemption premiums and terms, if any, for such Additional Bonds;

(vi) the form of such Additional Bonds;

(vii) the designation as to whether such Additional Bonds shall (A) constitute Common Reserve Bonds secured by the Common Reserve Account, (B) be secured by any other Reserve Account, or (C) not be secured by any Reserve Account; and

(viii) such other provisions that are appropriate or necessary and are not inconsistent with the provisions of the Indenture;

(c) upon the issuance of such Additional Bonds, the amount on deposit in the Reserve Account applicable to such Additional Bonds, if any, shall be at least equal to the applicable Reserve Requirement for such Additional Bonds; and

(d) upon the issuance of such Additional Bonds, the sum of Base Rental Payments, including any increase in the Base Rental Payments as a result of the issuance of such Additional Bonds, plus Additional Rental Payments, in any Rental Period shall not be in excess of the annual fair rental value of the Property after taking into account the use of the proceeds of such Additional Bonds (evidence of the satisfaction of such condition shall be made by a Written Certificate of the County).

Procedure for the Issuance of Additional Bonds. Whenever the Authority and the County shall determine to authorize the issuance of any Additional Bonds, the Authority, the County and the Trustee shall enter into a Supplemental Indenture satisfying the conditions of the provisions in the Indenture described under the heading "INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds." Before such Additional Bonds shall be issued, the Authority and the County shall file or cause to be filed with the Trustee the following:

(a) an Opinion of Counsel setting forth (i) that counsel rendering such opinion has examined the Supplemental Indenture, the amendment to the Sublease, if any, and the amendment to the Site Lease, if any, (ii) that the issuance of the Additional Bonds has been duly authorized by the Authority, (iii) that the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease have been duly authorized, executed and delivered by the Authority and the County, (iv) that upon execution and delivery of such Supplemental Indenture and any such amendments to the Sublease and the Site Lease, the Indenture, as amended and supplemented by such Supplemental Indenture, and, if so amended, the Sublease and the Site Lease, as amended by such amendments, will be valid and binding obligations of the Authority and the County, and (v) that the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease, in and of themselves, do not adversely affect the exclusion from gross income for federal income tax purposes of interest on Outstanding Tax-Exempt Bonds;

(b) a Written Certificate of the Authority that the requirements of the provisions of the Indenture described under the heading "INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds" have been met;

(c) a Written Certificate of the County that the requirements of the provisions of the Indenture described under the heading "INDENTURE – The Bonds – Conditions for the Issuance of Additional Bonds" have been met, which shall include a certification as to the fair rental value of the Property, after giving effect to any amendments to the Sublease and the Site Lease entered into in connection with the issuance of the Additional Bonds and taking into account the use of proceeds of such Additional Bonds;

(d) certified copies of the resolutions of the Board of Directors of the Authority and the Board of Supervisors of the County authorizing the execution and delivery of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease;

(e) executed counterparts or duly authenticated copies of the Supplemental Indenture and, if any, the amendments to the Sublease and the Site Lease, with satisfactory evidence that any such amendments to the Sublease and the Site Lease have been duly recorded in the appropriate records of the county in which the Property is located;

(f) certified copies of the policies of insurance required by the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" or certificates thereof, which shall evidence that the amounts of the insurance required under paragraphs (c) and (d) of the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Public Liability and Property Damage Insurance; Workers' Compensation Insurance" have been increased, if applicable, to cover the amount of such Additional Bonds; and

(g) a CLTA title insurance policy or other appropriate form of policy in the amount of the Additional Bonds of the type and with the endorsements described in the provisions of the Sublease described under the heading "SUBLEASE – Insurance – Title Insurance."

Upon the delivery to the Trustee of the foregoing instruments and upon the Trustee's being satisfied from an examination of said instruments that all of the documents required by the provisions of the Indenture described under the heading "INDENTURE – The Bonds – Procedure for the Issuance of Additional Bonds" have been delivered, the Trustee shall authenticate such Additional Bonds, and shall deliver such Additional Bonds to, or upon the request of, the Authority.

<u>Registration Books</u>. The Trustee shall keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall be available for inspection and copying by the Authority and the County upon reasonable notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as provided in the Indenture.

<u>Bonds Mutilated, Lost, Destroyed or Stolen</u>. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a

new Bond of the same Series and maturity in a like aggregate principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence and indemnity satisfactory to the Trustee shall be given, the Authority, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of the same Series and maturity in a like aggregate principal amount in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been selected for redemption, instead of issuing a replacement Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under the provisions of the Indenture as summarized under this paragraph and of the expenses which may be incurred by the Authority and the Trustee. Any Bond of a Series issued under the provisions of the Indenture as summarized under this paragraph in lieu of any Bond of such Series alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other Bonds of such Series secured by the Indenture.

Pledge and Assignment; Funds and Accounts

Pledge and Assignment. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Lease Revenues and all amounts on deposit from time to time in the funds and accounts established under the Indenture (other than the Rebate Fund) are thereby pledged to the payment of the principal of and interest on the Bonds as provided therein, and the Lease Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. Said pledge shall constitute a first lien on such assets.

In order to secure the pledge of the Lease Revenues, the Authority sells, assigns and transfers to the Trustee, irrevocably and absolutely, without recourse, for the benefit of the Owners, all of its right, title and interest in and to the Site Lease (as previously amended and as same shall be amended from time to time) and the Sublease (as previously amended and as same shall be amended from time to time), including, without limitation, the right to receive Base Rental Payments and the right to exercise any remedies provided in the Sublease in the event of a default by the County thereunder; provided, however, that the Authority shall retain the rights to indemnification and to payment or reimbursement of its reasonable costs and expenses under the Sublease. The Trustee accepts said assignment for the benefit of the Owners, subject to the provisions of the Indenture.

The Trustee shall be entitled to and shall receive all of the Base Rental Payments, and any Base Rental Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as agent of the Trustee and shall forthwith be paid by the Authority to the Trustee.

Project Fund. (a) The Trustee shall establish and maintain a separate fund designated the "Project Fund." Within the Project Fund, the Trustee shall establish and maintain various accounts and subaccounts for the various components of the Project. On the Closing Date, the Trustee shall deposit in each subaccount or account of the Project Fund the amount required to be deposited therein pursuant to the Indenture.

(b) The moneys in each account and subaccount within the Project Fund shall be used and withdrawn by the Trustee from time to time to pay Project Costs upon submission to the Trustee of a Written Request of the County substantially in the form attached to the Indenture. Upon receipt of each such Written Request of the County, the Trustee shall pay the amount set forth in such Written Request of the County as directed by the terms thereof.

(c) Moneys on deposit in any account or subaccount within the Project Fund may be transferred (i) to any other account or subaccount within the Project Fund established for the same Series of Bonds or (ii) to another account or subaccount within the Project Fund established for a separate Series of Bonds so long as, if such separate Series of Bonds are Tax-Exempt Bonds, an Opinion of Counsel is delivered to the effect that such transfer will not, in and of itself, adversely affect the exclusion of interest on such Bonds from gross income for federal income tax purposes.

(d) Upon completion of the Project, the County shall file with the Trustee a Written Certificate of the County notifying the Trustee of such completion. Upon the filing of such Written Certificate of the County, all amounts remaining on deposit in the Project Fund shall be transferred to the Interest Account for the related Series of Bonds and used to pay interest on such Bonds in accordance with the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Payment Fund," and upon such transfer the Project Fund shall be closed.

(e) If the Project Fund has been closed in accordance with the provisions of the Indenture, the Project Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued. There shall be deposited in the Project Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

<u>Costs of Issuance Fund</u>. (a) The Trustee shall establish and maintain a separate fund designated the "Costs of Issuance Fund." On the Closing Date, the Trustee shall deposit in the Costs of Issuance Fund the amount required to be deposited therein pursuant to the Indenture.

(b) The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay Costs of Issuance upon submission to the Trustee of a Written Request of the County substantially in the form attached to the Indenture. Upon receipt of each such Written Request of the County, the Trustee shall pay the amount set forth in such Written Request as directed by the terms thereof.

(c) On the date that is six months after the Closing Date, the Trustee shall transfer any amounts then remaining in the Costs of Issuance Fund to one or more accounts or subaccounts within the Project Fund as directed in a Written Request of the County, and upon such transfer the Costs of Issuance Fund shall be closed.

(d) If the Costs of Issuance Fund has been closed in accordance with the provisions of the Indenture, the Costs of Issuance Fund shall be reopened and reestablished by the Trustee in connection with the issuance of any Additional Bonds, if so provided in the Supplemental Indenture pursuant to which such Additional Bonds are issued. There shall be deposited in the Costs of Issuance Fund the portion, if any, of the proceeds of the sale of any Additional Bonds required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

<u>Payment Fund</u>. (a) The Trustee shall establish and maintain a separate fund designated the "Payment Fund." Within the Payment Fund, the Trustee shall establish and maintain a separate Interest Account and a separate Principal Account for each Series of Bonds.

(b) All Lease Revenues received by the Trustee shall be deposited by the Trustee in the Payment Fund; provided, however, that Net Proceeds, other than those constituting proceeds of rental interruption insurance received with respect to the Property, shall not be deposited in the Payment Fund but, rather, shall be applied as provided in the Indenture. There shall additionally be deposited in the applicable Interest Account of the Payment Fund amounts transferred from the related Reserve Account pursuant to paragraph (b) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Reserve Fund."

(c) The Trustee, on each Interest Payment Date, shall transfer from the Payment Fund to each Interest Account an amount equal to the interest on the related Series of Bonds coming due on such Interest Payment Date; provided, however, that if and to the extent that such amount is available for such Series of Bonds in any capitalized interest subaccount established pursuant to a Supplemental Indenture on such Interest Payment Date, the Trustee shall, instead, transfer such amount from such capitalized interest subaccount to the related Interest Account on such Interest Payment Date. Moneys in each Interest Account shall be withdrawn and used by the Trustee for the purpose of paying interest on the related Series of Bonds as and when due and payable.

(d) The Trustee, on each Principal Payment Date, shall transfer from the Payment Fund to each Principal Account an amount equal to the principal of the related Series of Bonds, including principal due and payable by reason of mandatory sinking fund redemption, coming due on such date. Moneys in each Principal Account shall be withdrawn and used by the Trustee for the purpose of paying principal of the related Series of Bonds, including principal due and payable by reason of mandatory sinking fund redemption, as and when due and payable.

Redemption Fund. The Trustee shall establish and maintain a special fund designated the "Redemption Fund." The Trustee shall deposit in the Redemption Fund any amounts received from the County in connection with the County's exercise of its right pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Eminent Domain; Right To Redeem – Right to Redeem Bonds" to cause Bonds to be optionally redeemed. Additionally, the Trustee shall deposit in the Redemption Fund any amounts required to be deposited therein pursuant to the Indenture. Amounts in the Redemption Fund shall be disbursed therefrom by the Trustee for the payment of the redemption price of, and accrued interest on, Bonds redeemed pursuant to the Indenture.

Reserve Fund. (a) The Trustee shall establish and maintain a special fund designated the "Reserve Fund." Within the Reserve Fund, the Trustee shall establish and maintain a separate account designated the "Common Reserve Account" and may establish and maintain one or more additional Reserve Accounts, each of which may secure one or more Series of Bonds pursuant to the Indenture and to the Supplemental Indenture authorizing the issuance thereof. On the Closing Date, the Trustee shall deposit in the Common Reserve Account the amount required to be deposited therein pursuant to the Indenture. In connection with the issuance of Additional Bonds, there shall additionally be deposited in the Common Reserve Account or any other Reserve Account established and/or maintained for such Additional Bonds, as applicable, the amount required to be deposited therein under the Supplemental Indenture pursuant to which such Additional Bonds are issued.

(b) The County may substitute a Reserve Facility for all or part of the moneys on deposit in any Reserve Account by depositing such Reserve Facility with the Trustee, provided that, at the time of such substitution, the amount on deposit in such Reserve Account, together with the amount available under all Reserve Facilities on deposit in such Reserve Account, shall be at least equal to the Reserve Requirement for such Reserve Account. Moneys for which a Reserve Facility has been substituted as provided in the Indenture shall be transferred, at the election of the County, to the Redemption Fund for the purpose of redeeming the related Series of Bonds or, upon receipt of an Opinion of Counsel that such transfer will not, in and of itself, adversely affect the exclusion of interest on Outstanding Tax-Exempt Bonds from gross income for federal income tax purposes, to the County and applied to the payment of capital costs of the County. Amounts on deposit in any Reserve Account which were not derived from payments under any Reserve Facility credited to such Reserve Account to satisfy a portion of the Reserve Requirement for such Reserve Account shall be used and withdrawn by the Trustee prior to using and withdrawing any amounts derived from payments under such Reserve Facility. In order to accomplish such use and withdrawal of such amounts not derived from payments under any such Reserve Facility, the Trustee shall, as and to the extent necessary, liquidate any investments purchased with such amounts.

(c) In the event that, on the second Business Day prior to a date on which the Trustee is to transfer money from the Payment Fund to the Interest Accounts pursuant to paragraph (c) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Payment Fund" or to the Principal Accounts pursuant to paragraph (e) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Payment Fund", amounts in the Payment Fund are insufficient for such purpose, the Trustee shall withdraw from each Reserve Account, to the extent of any funds therein, the amount of the insufficiency of the related Series of Bonds, and shall transfer any amounts so withdrawn first to the related Interest Account and then to the related Principal Account. If the amount on deposit in any Reserve Account is not sufficient to make such transfer, the Trustee shall make a claim under any available Reserve Facility, in accordance with the provisions thereof, in order to obtain an amount sufficient to allow the Trustee to make such transfer as and when required.

(d) In the event of any transfer from a Reserve Account or the making of any claim under a Reserve Facility, the Trustee shall, within two Business Days thereafter, provide written notice to the Authority and the County of the amount and the date of such transfer or claim; provided, however, that such notice need not be provided if such transfer is made pursuant to paragraphs (f) or (g) below.

(e) If the sum of the amount on deposit in any Reserve Account, plus the amount available under all available Reserve Facilities held for such Reserve Account, is less than the Reserve Fund Requirement for such Reserve Account, the first of Base Rental Payments thereafter received from the County under the Sublease and not needed to pay the principal of and interest on the Bonds on the next Interest Payment Date or Principal Payment Date shall be used, first, to reinstate the amounts available under any Reserve Facilities that have been drawn upon and, second, to increase the amount on deposit in the Reserve Accounts, so that the amount available under all available Reserve Facilities, when added to the amount on deposit in the Reserve Fund, shall equal the Reserve Requirement for each Reserve Account; provided, however, that such Base Rental Payments shall be allocated among all Reserve Accounts ratably without preference or priority of any kind, according to each Reserve Account's percentage share of the total deficiencies in all Reserve Accounts.

(f) If, as a result of the payment of principal of or interest on any Series of Bonds, the Reserve Requirement applicable to such Series of Bonds is reduced, amounts on deposit in the applicable Reserve Account in excess of such reduced Reserve Requirement shall be transferred to the related Interest Account(s) and Principal Account(s) of the Payment Fund as directed in a Written Request of the County.

(g) On any date on which Bonds of a Series are defeased in accordance with the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid," the Trustee shall, if so directed in a Written Request of the County, transfer any moneys in the related Reserve Account in excess of the applicable Reserve Requirement resulting from such defeasance to the entity or fund so specified in such Written Request of the County, to be applied to such defeasance.

(h) Moneys, if any, on deposit in a Reserve Account shall be withdrawn and applied by the Trustee for the final payments of principal of and interest on the Bonds secured by such Reserve Account.

Rebate Fund. (a) The Trustee shall establish and maintain a special fund designated the "Rebate Fund." There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to each Tax Certificate, as specified in a Written Request of the Authority or a Written Request of the County. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Bonds pursuant to the provisions of the Indenture described under the heading "INDENTURE – Defeasance" or anything to the contrary contained therein, all amounts required to be deposited into or on deposit in the Rebate Fund shall be governed exclusively by the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Rebate Fund" and by the respective Tax Certificate (which is incorporated into the Indenture by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the Authority or the County, and shall have no liability or responsibility to enforce compliance by the Authority or the County with the terms of each Tax Certificate. The Trustee may conclusively rely upon the determinations, calculations and certifications of the Authority or the County required by each Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the calculations of the Authority or the County.

(b) Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Rebate Fund", shall, upon receipt by the Trustee of a Written Request of the County, be withdrawn by the Trustee and remitted to the County.

Investments. (a) Except as otherwise provided in the Indenture, any moneys held by the Trustee in the funds and accounts established thereunder shall be invested by the Trustee upon the Written Request of the County, received at least two Business Days prior to the investment date, only in Permitted Investments, and in the absence of such direction shall be invested by the Trustee in Permitted Investments described in clause (6) of the definition thereof. The Trustee may act as principal or agent in the acquisition or disposition of any such investment. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Investments." The Trustee shall sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for redemption. Permitted Investments that are registerable securities shall be registered in the name of the Trustee.

(b) Investments purchased with funds on deposit in the Payment Fund shall mature not later than the payment date immediately succeeding the investment. Investments purchased with funds on deposit in the Redemption Fund shall be invested in Permitted Investments described in clause (1)(a) of the definition thereof that mature on or prior to the redemption date on which such funds are to be applied to the redemption of Bonds. Investments purchased with funds on deposit in the Project Fund shall mature not later than the dates upon which such funds shall be needed to be expended for the payment of Project Costs. Notwithstanding anything to the contrary contained in the Indenture, investments purchased with funds on deposit in any Reserve Account of the Reserve Fund shall have an average aggregate weighted term to maturity of not greater than five years.

(c) Investments (except investment agreements) in any fund or account established under the Indenture shall be valued, exclusive of accrued interest (i) not less often than annually nor more often than monthly, and (ii) upon any draw upon any Reserve Account. All investments of amounts deposited in any fund or account established under the Indenture shall be valued at the market value thereof.

(d) Any interest or profits received with respect to investments held in any of the funds or accounts established under the Indenture (other than any Reserve Account) shall be retained therein. Any interest or profits received with respect to investments held in a Reserve Account shall be, until the date the related Written Certificate of the County required by paragraph (d) of the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Project Fund" is filed with the Trustee, transferred to one or more accounts or subaccounts within the Project Fund as directed in a Written Request of the County and, thereafter, shall be transferred to the related Interest Account(s). Notwithstanding the foregoing, any such transfer or disbursement shall be made from a Reserve Account only if and to the extent that, after such transfer, the amount on deposit in such Reserve Account, together with amounts available to be drawn on all Reserve Facilities held for such Reserve Account, if any, is at least equal to the Reserve Requirement for such Reserve Account.

(e) The Authority and the County acknowledges that to the extent that regulations of the Comptroller of the Currency grant the Authority or the County the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, to the extent permitted by law, the Authority and the County specifically waives receipt of such confirmations. The Trustee shall furnish the Authority and the County periodic transaction statements that include detail for all investment transactions made by the Trustee under the Indenture.

Net Proceeds and Title Insurance; Covenants

Application of Net Proceeds. If the Property or any portion thereof shall be damaged or destroyed, subject to the further requirements of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance; Covenants – Application of Net Proceeds," the County shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the repair or replacement thereof, unless the County elects not to repair or replace the Property or the affected portion thereof in accordance with the provisions of the Indenture.

The Net Proceeds of any insurance (other than Net Proceeds of rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special account and made available for and, to the extent necessary, shall be applied to the cost of repair or replacement of the Property or the affected portion thereof upon receipt of a Written Request of the County, together with invoices therefor. Pending such application, such proceeds may, pursuant to a Written Request of the County, be invested by the Trustee in Permitted Investments that mature not later than such times as moneys are expected to be needed to pay such costs of repair or replacement.

Notwithstanding the foregoing, the County shall, within 60 days of the occurrence of the event of damage or destruction, notify the Trustee in writing as to whether the County intends to replace or repair the Property or the portions of the Property which were damaged or destroyed. If the County does intend to replace or repair the Property or portions thereof, the County shall deposit with the Trustee the full amount of any insurance deductible to be credited to the special account referred to above.

If such damage, destruction or loss was such that there resulted a substantial interference with the County's right to the use or occupancy of the Property and an abatement in whole or in part of Rental Payments results from such damage or destruction pursuant to the provisions of the Sublease described under the heading "SUBLEASE – Rental Payments – Rental Abatement," then the County shall be required either to (a) apply sufficient funds from the insurance proceeds and other legally available funds to the replacement or repair of the Property or the portions thereof which have been damaged to the condition which existed prior to such damage or destruction, or (b) apply sufficient funds from the insurance proceeds and other legally available funds to the redemption (i) of all of the Outstanding Bonds, or (ii) of such portion of the Outstanding Bonds as shall result in the remaining, non-abated Base Rental Payments being sufficient to pay, as and when due, the principal of and interest on the Bonds that will remain Outstanding after such redemption. If the County is required to apply funds from the insurance proceeds and other legally available funds to the redemption of Bonds in accordance with clause (b) above, the County shall direct the Trustee, in a Written Request of the County, to transfer the funds to be applied to such redemption to the Redemption Fund and the Trustee shall transfer such funds to the Redemption Fund. Any proceeds of any insurance, including the proceeds of any self-insurance remaining after the portion of the Property which was damaged or destroyed is restored to and made available to the County in substantially the same condition and annual fair rental value as that which existed prior to the damage or destruction as required by clause (a) above, or the redemption of Bonds as required by clause (b) above, in each case as evidenced by a Written Certificate of the County to such effect, shall be deposited in the Reserve Accounts, ratably without preference or priority of any kind according to each Reserve Account's percentage share of the total deficiencies in all Reserve Accounts, to the extent that the amounts therein are less than the applicable Reserve Requirement. If the County is not required to replace or repair the Property, or the affected portion thereof, as set forth in clause (a) above, or to use such amounts to redeem Bonds as set forth in clause (b) above, then such proceeds shall be deposited in the Reserve Accounts, ratably without preference or priority of any kind according to each Reserve Account's percentage share of the total deficiencies in all Reserve Accounts, to the extent that the amounts therein are less than the applicable Reserve Requirement. Any amounts not required to be so deposited into the Reserve Accounts shall, if there is first delivered to the Trustee a Written Certificate of the County to the effect that the annual fair rental value of the Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to 100% of the maximum amount of Base Rental Payments becoming due under the Sublease in the then current Rental Period or any subsequent Rental Period and the fair replacement value of the Property after such damage or destruction is at least equal to the sum of the then unpaid principal components of Base Rental Payments, be paid to the County to be used for any lawful purpose.

The proceeds of any award in eminent domain shall be deposited by the Trustee in the Redemption Fund and applied to the redemption of Bonds pursuant to the provisions of the Indenture.

Title Insurance. Net Proceeds of any policy of title insurance received by the Trustee in respect of the Property shall be applied and disbursed by the Trustee as follows:

(a) if the County determines that the title defect giving rise to such proceeds has not substantially interfered with its use and occupancy of the Property and will not result in an abatement of Rental Payments payable by the County under the Sublease, such proceeds shall, upon Written Request of the County, be remitted to the County and used for any lawful purpose thereof; or

(b) if the County determines that the title defect giving rise to such proceeds has substantially interfered with its use and occupancy of the Property and will result in an abatement in whole or in part of Rental Payments payable by the County under the Sublease, then the County shall, in a Written Request of the County, direct the Trustee to, and the Trustee shall immediately deposit such proceeds in the Redemption Fund and such proceeds shall be applied to the redemption of Bonds in the manner provided in the provisions of the Indenture.

Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of, and premium, if any, and interest on the Bonds, in strict conformity with the terms of the Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of the Base Rental Payments and other assets pledged for such payment as provided in the Indenture and received by the Authority or the Trustee.

Compliance with Indenture. The Authority and the County shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be complied with, kept, observed and performed by them.

Compliance with Site Lease and Sublease. The Authority and the County shall faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Site Lease and the Sublease required to be complied with, kept, observed and performed by them and, together with the Trustee, shall enforce the Site Lease and the Sublease against the other party thereto in accordance with their respective terms.

Observance of Laws and Regulations. The Authority, the County and the Trustee shall faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege owned or acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Other Liens. The County shall keep the Property and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which materially impairs the County in conducting its business or utilizing the Property, and the Trustee at its option (after first giving the County thirty days' written notice to comply therewith and failure of the County to so comply within such thirty-day period) may defend against any and all actions or proceedings, or may pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that, in defending against any such actions or proceedings or in paying or compromising any such claims or demands, the Trustee shall not in any event be deemed to have waived or released the County from liability for or on account of any of its agreements and covenants contained in the Indenture, or from its obligation under the Indenture to perform such agreements and covenants. The Trustee shall have no liability with respect to any determination made in good faith to proceed or decline to defend, pay or compromise any such claim or demand.

So long as any Bonds are Outstanding, none of the Trustee, the Authority or the County shall create or suffer to be created any pledge of or lien on the amounts on deposit in any of the funds or accounts created under the Indenture, other than the pledge and lien thereof.

The Authority and the Trustee shall not encumber the Property other than in accordance with the Site Lease, the Sublease and the Indenture.

Prosecution and Defense of Suits. The County shall promptly, upon request of the Trustee or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Property or any part thereof, whether existing or developing, shall prosecute all actions, suits or other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee and every Owner harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Accounting Records and Statements. The Trustee shall keep proper accounting records in which complete and correct entries shall be made of all transactions of the Trustee relating to the receipt, deposit and disbursement of the Lease Revenues, and such accounting records shall be available for inspection by the Authority and the County at reasonable hours and under reasonable conditions. The Trustee shall, upon written request, make copies of the foregoing available, at the Owner's expense, to any Owner or its agent duly authorized in writing.

Recordation. The County shall record, or cause to be recorded, with the appropriate county recorder, the Sublease and the Site Lease, or memoranda thereof, and a memorandum of the assignment of the Authority's right, title and interest in and to the Site Lease and the Sublease pursuant to the provisions of the Indenture described under the heading "INDENTURE – Pledge And Assignment; Funds And Accounts – Pledge and Assignment."

Tax Covenants. (a) Neither the Authority nor the County shall take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Tax-Exempt Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, each of the Authority and the County shall comply with the requirements of each Tax Certificate, which is incorporated in the Indenture as if fully set forth therein. This covenant shall survive payment in full or defeasance of the related Series of Bonds.

(b) In the event that at any time the Authority or the County is of the opinion that for purposes of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants" it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established under the Indenture, the Authority or the County shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(c) Notwithstanding any provisions of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants," if the Authority or the County shall provide to the Trustee an Opinion of Counsel to the effect that any specified action required under the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants" is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the applicable Series of Tax-Exempt Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of the provisions of the Indenture described under the heading "INDENTURE – Net Proceeds And Title Insurance Covenants – Tax Covenants" and of the applicable Tax Certificate, and the covenants under the Indenture shall be deemed to be modified to that extent.

Continuing Disclosure. The County shall comply with and carry out all of the provisions of each Continuing Disclosure Certificate. Notwithstanding any other provision of the Indenture, failure of the County to comply with a Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture; provided, however, that the Trustee, at the written direction of any Participating Underwriter or the holders of at least 25% of the aggregate principal amount of the related Series of Bonds Outstanding, shall, upon receipt of indemnification reasonably satisfactory to the Trustee, or any holder or Beneficial Owner of the affected Series of Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority and the County shall promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by the Indenture, the Site Lease or the Sublease.

Events of Default and Remedies

Events of Default. The occurrence, from time to time, of any one or more of the following events shall constitute an Event of Default under the Indenture:

(a) failure to pay any installment of principal of any Bond as and when the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption or otherwise;

(b) failure to pay any installment of interest on any Bond as and when the same shall become due and payable;

(c) a Sublease Default Event shall have occurred and be continuing;

(d) failure by the Authority to observe and perform any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Authority by the Trustee, the County or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the Authority, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such 30 day period and the Authority shall thereafter diligently and in good faith cure such failure in a reasonable period of time;

(e) failure by the County to observe and perform any of the covenants, agreements or conditions on its part in the Indenture contained, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the

County by the Trustee, the Authority or the Owners of not less than 5% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, that if, in the reasonable opinion of the County, the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the County within such 30 day period and the County shall thereafter diligently and in good faith cure such failure in a reasonable period of time; or

(f) the Authority or the County shall commence a voluntary case under Title 11 of the United States Code or any substitute or successor statute.

Action on Default. In each and every case during the continuance of an Event of Default, the Trustee may and, at the direction of the Owners of not less than a majority of the aggregate principal amount of Bonds then Outstanding (and upon indemnification of the Trustee to its reasonable satisfaction as provided in the Indenture), shall, upon notice in writing to the Authority and the County, exercise any of the remedies granted to the Authority under the Sublease and, in addition, take whatever action at law or in equity may appear necessary or desirable to protect and enforce any of the rights vested in the Trustee or the Owners by the Indenture or by the Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement or for the enforcement of any other legal or equitable right, including any one or more of the remedies set forth in the provisions of the Indenture described under the heading “INDENTURE – Events Of Default And Remedies – Other Remedies of the Trustee.”

Other Remedies of the Trustee. During the continuance of an Event of Default, the Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Authority or the County or any member, director, officer or employee thereof, and to compel the Authority or the County or any such member, director, officer or employee to perform or carry out its or his or her duties under law and the agreements and covenants required to be performed by it or him or her contained in the Indenture or in the Bonds;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee or the Owners; or

(c) by suit, action or proceeding in any court of competent jurisdiction, to require the Authority or the County, or both, to account as if it or they were the trustee or trustees of an express trust.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given thereunder existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law. The assertion or employment of any right or remedy under the Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Application of Amounts After Default. If an Event of Default shall occur and be continuing, all Lease Revenues and any other funds thereafter received by the Trustee under any of the provisions of the Indenture shall be applied by the Trustee as follows and in the following order:

(a) to the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(b) to the payment of all amounts then due for interest on the Bonds, ratably without preference or priority of any kind, according to the amounts of interest on such Bonds due and payable, with interest on the overdue interest at the rate borne by the respective Bonds; and

(c) to the payment of all amounts then due for principal of the Bonds, ratably without preference or priority of any kind, according to the amounts of principal of the Bonds due and payable, with interest on the overdue principal at the rate borne by the respective Bonds.

Power of Trustee to Enforce. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of the Owners of such Bonds, subject to the provisions of the Indenture.

Bond Owners Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee under the Indenture; provided, however, that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and, provided, further, that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Bond Owners' Right to Sue. No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Act or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers before granted or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of any remedy under the Indenture or under law; it being understood and intended that no one or more Owners shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners, or to enforce any right under the Bonds, the Indenture, the Act or other applicable law with respect to the Bonds, except in the manner provided in the Indenture, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided and for the benefit and protection of all Owners, subject to the provisions of the Indenture.

Termination of Proceedings. If any action, proceeding or suit to enforce any right or to exercise any remedy is abandoned or determined adversely to the Trustee or any Owner, then, subject to any such adverse determination, the Trustee, such Owner, the Authority and the County shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken. In case any proceedings taken by the Trustee or any one or more Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owner, then in every such case the Trustee, such Owner, the Authority and the County, subject to any determination in such proceedings, shall be restored to their former positions and rights under the Indenture, severally and respectively, and all rights, remedies, powers and duties of the Trustee, the Owners, the Authority and the County shall continue as though no such proceedings had been taken.

No Waiver of Default. No delay or omission of the Trustee or of any Owner to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Owners may be exercised from time to time and as often as may be deemed expedient.

The Trustee

Duties and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Removal and Resignation of the Trustee. The Authority and the County may by an instrument in writing, remove the Trustee initially a party to the Indenture and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee initially a party to the Indenture and any successor thereto if at any time (a) requested to do so by an instrument or concurrent instruments in writing signed by the Owners of a majority of the aggregate principal amount of the Bonds at the time Outstanding (or their attorneys duly authorized in writing), or (b) the Trustee shall cease to be eligible in accordance with the following sentence, and shall appoint a successor Trustee. The Trustee and any successor Trustee shall be a commercial bank with trust powers having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 (or be part of a bank holding company with a combined capital and surplus of at least $50,000,000) and subject to supervision or examination by federal or state authorities. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the provisions of the Indenture described under the heading "INDENTURE – The Trustee – Removal and Resignation of the Trustee" the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice of such resignation to the Authority and the County and by giving notice, by first class mail, postage prepaid, of such resignation to the Owners at their addresses appearing on the Registration Books. Upon receiving such notice of resignation, the Authority and the County shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event the Authority and the County do not appoint a successor Trustee within 30 days following receipt of such notice of resignation, the resigning Trustee may, at the expense of the County, petition the appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and the County and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee in the Indenture; but, nevertheless, at the written request of the Authority, the County or of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions set forth in the Indenture.

Any corporation, association or agency into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, provided that such entity meets the combined capital and surplus requirements of the provisions of the Indenture described under the heading "INDENTURE – The Trustee – Removal and Resignation of the Trustee," ipso facto, shall be and become successor trustee under the Indenture and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything therein to the contrary notwithstanding.

Compensation and Indemnification of the Trustee. The County shall from time to time, subject to any written agreement then in effect with the Trustee, pay the Trustee reasonable compensation for all its services rendered under the Indenture and reimburse the Trustee for all its reasonable advances and expenditures (which shall not include "overhead expenses" except as such expenses are included as a component of the Trustee's stated annual fees) under the Indenture, including but not limited to advances to and reasonable fees and reasonable expenses of accountants, agents, appraisers, consultants or other experts, and counsel not directly employed by the Trustee but an attorney or firm of attorneys retained by the Trustee, employed by it in the exercise and performance of its rights and obligations under the Indenture; provided, however, that the Trustee shall not have any lien for such compensation or reimbursement against any moneys held by it in any of the funds or accounts established under the Indenture.

The County shall, to the extent permitted by law, indemnify and save the Trustee harmless against any liabilities, costs, claims or expenses, including those of its attorneys, which it may incur in the exercise and performance of its powers and duties under the Indenture and under any related documents, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. The duty of the County to indemnify the Trustee shall survive the termination and discharge of the Indenture.

Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any affidavit, bond, certificate, consent, notice, request, requisition, resolution, statement, telegram, voucher, waiver or other paper or document which it shall in good faith believe to be genuine and to have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of the Indenture, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity, reasonably satisfactory to the Trustee, against the reasonable costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. Under no circumstances shall the Trustee request or be entitled to indemnification from the County for taking actions required by and in accordance with the Indenture, including, but not limited to, causing payments of principal of and interest on the Bonds to be made to the Owners thereof and carrying out redemptions of the Bonds in accordance with the terms of the Indenture. The Trustee may consult with counsel, who may be counsel to the Authority or the County, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect to any action taken or suffered by it under the Indenture in good faith in accordance therewith.

The Trustee shall not be responsible for the sufficiency of the Bonds or the Sublease or for statements made in the preliminary or final official statement relating to the Bonds, or of the title to the Property.

Except as otherwise expressly provided in the Indenture, no provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Indenture or in the exercise of any of its rights or powers thereunder.

Whenever in the administration of its rights and obligations under the Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action thereunder, such matter (unless other evidence in respect thereof be specifically prescribed in the Indenture) may be deemed to be conclusively proved and established by a Written Certificate of the Authority or a Written Certificate of the County, and such certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions of the Indenture upon the faith thereof, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it deems reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Indenture. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority or the County, and may act as agent, depository or trustee for any committee or body of Owners or of owners of obligations of the Authority or the County as freely as if it were not the Trustee under the Indenture.

The Trustee may, to the extent reasonably necessary, execute any of the trusts or powers of the Indenture and perform any rights and obligations required of it thereunder by or through agents, attorneys or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its rights and obligations under the Indenture, and the Trustee shall not be answerable for the negligence or misconduct of any such agent, attorney or receiver selected by it with reasonable care; provided, however, that in the event of any negligence or misconduct of any such attorney, agent or receiver, the Trustee shall diligently pursue all remedies of the Trustee against such agent, attorney or receiver. The Trustee shall not be liable for any error of judgment made by it in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be answerable for the exercise of any trusts or powers under the Indenture or for anything whatsoever in connection with the funds established thereunder, except only for its own willful misconduct, negligence or breach of an obligation thereunder.

The Trustee may, on behalf of the Owners, intervene in any judicial proceeding to which the Authority or the County is a party and which, in the opinion of the Trustee and its counsel, affects the Bonds or the security therefor, and shall do so if requested in writing by the Owners of at least 5% of the aggregate principal amount of Bonds then Outstanding, provided the Trustee shall have no duty to take such action unless it has been indemnified to its reasonable satisfaction against all risk or liability arising from such action.

Supplemental Indentures

Supplemental Indentures. (a) The Indenture and the rights and obligations of the Authority, the County, the Trustee and the Owners under the Indenture may be modified or amended at any time by a Supplemental Indenture, which the Authority, the County and the Trustee may enter into when the prior written consents of the Owners of a majority of the aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the provisions of the Indenture described under the heading "INDENTURE – Miscellaneous – Disqualified Bonds" are filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bond, reduce the amount of principal thereof or the rate of interest thereon or alter the redemption provisions with respect thereto without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, without the consent of the Owners of all of the Bonds then Outstanding, or (iii) permit the creation of any lien on the Lease Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture or deprive the Owners of the Bonds of the lien created by the Indenture on such Lease Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Owners of all Bonds then Outstanding, or (iv) amend the provisions of the Indenture described under the heading "INDENTURE – Supplemental Indentures – Supplemental Indentures" without the prior written consent of the Owners of all Bonds then Outstanding.

(b) The Indenture and the rights and obligations of the Authority, the County, the Trustee and the Owners thereunder may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority, the County and the Trustee may enter into without the consent of any Owners for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority or the County in the Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority or the County;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture or in regard to questions arising thereunder which the Authority or the County may deem desirable or necessary and not inconsistent with the Indenture;

(iii) to provide for the issuance of one or more Series of Additional Bonds, and to provide the terms and conditions under which such Series of Additional Bonds may be issued, subject to and in accordance with the provisions of the indenture;

(iv) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds or maintain any federal interest subsidies expected to be received with respect to any Bonds; and

(v) for any other reason, provided such amendment or supplement does not adversely affect the rights or interests of the Owners; provided, however, that the Authority, the County and the Trustee may rely in entering into any such amendment or supplement upon an Opinion of Counsel stating that the requirements of this paragraph have been met with respect to such amendment or supplement.

(c) Promptly after the execution by the Authority, the County and the Trustee of any Supplemental Indenture, the Trustee shall mail a notice (the form of which shall be furnished to the Trustee by the Authority or the County), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

<u>Effect of Supplemental Indenture</u>. Upon the execution and delivery of any Supplemental Indenture entered into pursuant to paragraphs (a) or (b) above, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the County, the Trustee and the Owners shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

<u>Endorsement of Bonds; Preparation of New Bonds</u>. Bonds delivered after the effective date of any Supplemental Indenture pursuant to the provisions of the Indenture described under the heading "INDENTURE – Supplemental Indentures" may and, if the Authority or the County so determines, shall bear a notation by endorsement or otherwise in form approved by the Authority, the County and the Trustee as to any modification or amendment provided for in such Supplemental Indenture and, in that case, upon demand of the

Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, the County and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee and, in that case, upon demand of the Owner of any Bond Outstanding at the time of such effective date, and presentation of such Bond for such purpose at the Office of the Trustee, such a new Bond in equal principal amount of the same Series, interest rate and maturity shall be exchanged for such Owner's Bond so surrendered.

Amendment of Particular Bonds. The provisions of the provisions of the Indenture described under the heading "INDENTURE – Supplemental Indentures" shall not prevent any Owner from accepting any amendment or modification as to any particular Bond owned by it, provided that due notation thereof is made on such Bond.

Defeasance

Discharge of Indenture. (a) If (i) the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Bonds the principal thereof and the interest and premium, if any, thereon at the times and in the manner stipulated in the Indenture, and (ii) all other amounts due and payable under the Indenture and under the Sublease shall have been paid, then the Owners shall cease to be entitled to the pledge of the Lease Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the County under the Indenture shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority and the County all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the County all money or securities held by it pursuant to the Indenture which are not required for the payment of the principal of and interest and premium, if any, on the Bonds.

(b) Subject to the provisions of paragraph (a) above, when any Bond shall have been paid and if, at the time of such payment, each of the Authority and the County shall have kept, performed and observed all of the covenants and promises in such Bonds and in the Indenture required or contemplated to be kept, performed and observed by it or on its part on or prior to that time, then the Indenture shall be considered to have been discharged in respect of such Bond and such Bond shall cease to be entitled to the pledge of the Lease Revenues and the other assets as provided in the Indenture, and all agreements, covenants and other obligations of the Authority and the County under the Indenture shall cease, terminate, become void and be completely discharged and satisfied as to such Bond.

(c) Notwithstanding the discharge and satisfaction of the Indenture or the discharge and satisfaction of the Indenture in respect of any Bond, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, non-presentment of Bonds, and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of and interest and premium, if any, on the Bonds, to pay to the Owners of the Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the discharge and satisfaction of the Indenture, the provisions of the provisions of the Indenture described under the heading "INDENTURE – The Trustee – Compensation and Indemnification of the Trustee" relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Authority, the County and the Trustee.

Bonds Deemed To Have Been Paid. (a) If moneys shall have been set aside and held by the Trustee for the payment or redemption of any Bond and the payment of the interest thereon to the maturity or redemption date thereof, such Bond shall be deemed to have been paid within the meaning and with the effect provided in the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Discharge of Indenture." Any Outstanding Bond shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Discharge of Indenture" if (i) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail, on a date in accordance with the provisions of the Indenture notice of redemption of such Bond on said redemption date, said notice to be given in accordance with the provisions of the Indenture, (ii) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient, or (B) Defeasance Securities, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the interest to become due on such Bond on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and premium, if any, on such Bond, and (iii) in the event such Bond is not by its terms subject to redemption within the next succeeding 60 days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the owners of such Bond that the deposit required by clause (ii) above has been made with the Trustee and that such Bond is deemed to have been paid in accordance with the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Bonds Deemed To Have Been Paid" and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and premium, if any, on such Bond. Neither the money nor the Defeasance Securities deposited with the Trustee pursuant to this paragraph in connection with the deemed payment of Bonds, nor principal or interest payments on any such Defeasance Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for and pledged to, the payment of the principal of and, premium, if any, and interest on such Bonds.

(b) No Bond shall be deemed to have been paid pursuant to clause (ii)(B) of paragraph (a) above unless the Authority or the County shall cause to be delivered (A) an executed copy of a Verification Report with respect to such deemed payment, addressed to the Authority, the County and the Trustee, (B) a copy of the escrow agreement entered into in connection with the deposit pursuant to clause (ii)(B) of paragraph (a) above resulting in such deemed payment, which escrow agreement shall provide that no substitution of Defeasance Securities shall be permitted except with other Defeasance Securities and upon delivery of a new Verification Report and no reinvestment of Defeasance Securities shall be permitted except as contemplated by the original Verification Report or upon delivery of a new Verification Report, and (C) a copy of an Opinion of Counsel, dated the date of such deemed payment and addressed to the Authority, the County and the Trustee, to the effect that such Bond has been paid within the meaning and with the effect expressed in the Indenture, and all agreements, covenants and other obligations of the Authority and the County under the Indenture as to such Bond have ceased, terminated, become void and been completely discharged and satisfied.

(c) The Trustee may seek and is entitled to rely upon (i) an Opinion of Counsel reasonably satisfactory to the Trustee to the effect that the conditions precedent to a deemed payment pursuant to clause (ii) of paragraph (a) above have been satisfied, and (ii) such other opinions, certifications and computations, as the Trustee may reasonably request, of accountants or other financial consultants concerning the matters described in paragraph (b) above.

Unclaimed Moneys. Any moneys held by the Trustee in trust for the payment and discharge of the principal of, or premium or interest on, any Bonds which remain unclaimed for two years after the date when such principal, premium or interest has become payable, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after the date when such principal, premium or interest become payable, shall, at the Written Request of the Authority, be repaid by the Trustee to the County as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners of such Bonds shall look only to the County for the payment of such principal, premium or interest.

Miscellaneous

Benefits of Indenture Limited to Parties. Nothing contained in the Indenture, expressed or implied, is intended to give to any Person other than the Authority, the County, the Trustee and the Owners any claim, remedy or right under or pursuant to the Indenture, and any agreement, condition, covenant or term required in the Indenture to be observed or performed by or on behalf of the Authority or the County shall be for the sole and exclusive benefit of the Trustee and the Owners.

Successor Deemed Included in all References to Predecessor. Whenever the Authority, the County or the Trustee, or any officer thereof, is named or referred to in the Indenture, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority, the County or the Trustee, or such officer, and all agreements, conditions, covenants and terms required by the Indenture to be observed or performed by or on behalf of the Authority, the County or the Trustee, or any officer thereof, shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required in the Indenture to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or its attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which such notary public or other officer purports to act that the Person signing such declaration, request or other instrument or writing acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept which it may deem sufficient.

The ownership of any Bond and the amount, payment date, number and date of owning the same may be proved by the Registration Books.

Any declaration, request or other instrument in writing of the Owner of any Bond shall bind all future Owners of such Bond with respect to anything done or suffered to be done by the Authority, the County or the Trustee in good faith and in accordance therewith.

Waiver of Personal Liability. Notwithstanding anything contained in the Indenture to the contrary, no member, officer or employee of the Authority or the County shall be individually or personally liable for the payment of any moneys, including without limitation, the principal of or interest on the Bonds, but nothing contained in the Indenture shall relieve any member, officer or employee of the Authority or the County from the performance of any official duty provided by any applicable provisions of law, by the Sublease or by the Indenture.

Acquisition of Bonds by Authority or County. All Bonds acquired by the Authority or the County, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the County, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the County, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this paragraph if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the County. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

Money Held for Particular Bonds. The money held by the Trustee for the payment of the principal of or premium or interest on particular Bonds due on any date (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of the Indenture described under the heading "INDENTURE – Defeasance – Unclaimed Moneys," but without any liability for interest thereon.

Funds and Accounts. Any fund or account required to be established and maintained pursuant to the Indenture by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund, but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the Owners. The Trustee may establish such funds and accounts as it deems necessary to perform its obligations under the Indenture.

The Trustee may commingle any of the moneys held by it under the Indenture for investment purposes only; provided, however, that the Trustee shall account separately for the moneys in each fund or account established pursuant to the Indenture.

California Law. The Indenture and the Bonds shall be construed and governed in accordance with the laws of the State of California.

COUNTY OF LOS ANGELES
CALIFORNIA

APPENDIX C

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following summary discussion of selected provisions of the Site Lease, the Sublease and the Indenture are made subject to all of the provisions of such documents. This summary discussion does not purport to be a complete statement of said provisions and prospective purchasers of the Series 2019E Bonds are referred to the complete texts of said documents, copies of which are available upon request sent to the Trustee.

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

COUNTY OF LOS ANGELES
CALIFORNIA

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 the Authority, the County and the Underwriters take no responsibility for the completeness or accuracy thereof. The Authority, 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 Series 2019E Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2019E Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2019E Bonds, 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 Appendix D. 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.

DTC will act as securities depository for the Series 2019E Bonds. The Series 2019E Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each series and maturity of the Series 2019E Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC 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 its website.

Purchases of the Series 2019E Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019E Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2019E Bond ("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 Series 2019E Bonds 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 the Series 2019E Bonds, except in the event that use of the book-entry system for the Series 2019E Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019E Bonds 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 the Series 2019E Bonds 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 Series 2019E Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019E Bonds 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.

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 the Series 2019E Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019E Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2019E Bond documents. For example, Beneficial Owners of the Series 2019E Bonds may wish to ascertain that the nominee holding the Series 2019E Bonds 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.

While the Series 2019E Bonds are in the book-entry only system, redemption notices shall be sent to DTC. If less than all of the Series 2019E Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019E Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority 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 the Series 2019E Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Series 2019E Bonds 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 Authority or the Trustee, 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 Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal,, interest and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, 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.

DTC may discontinue providing its services as depository with respect to the Series 2019E Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, the Series 2019E Bonds certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2019E Bond certificates will be printed and delivered to DTC.

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

NONE OF THE AUTHORITY, THE COUNTY, THE UNDERWRITERS OR THE TRUSTEE 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 SERIES 2019E BONDS FOR PREPAYMENT.

None of the Authority, the County or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2019E Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described herein.

DTC may discontinue providing its services as depository with respect to the Series 2019E Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2019E Bonds certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture will apply.

Beneficial Owners of the Series 2019E Bonds may experience some delay in their receipt of distributions of principal of, redemption proceeds, if any, and interest on, the Series 2019E Bonds, as applicable, since such distributions will be forwarded by the Authority or the trustee, as applicable, to DTC and DTC will credit such distributions to the accounts of the Direct Participants which will thereafter credit them to the accounts of the Beneficial Owners either directly or through Indirect Participants.

Since transactions in the Series 2019E Bonds can be effected only through DTC, Direct Participants, Indirect Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2019E Bonds to persons or entities that do not participate in the DTC system, or otherwise to take actions in respect of such Series 2019E Bonds, as applicable, may be limited due to lack of a physical certificate. Beneficial Owners will not be recognized by the Trustee as registered owners of the Series 2019E Bonds and Beneficial Owners will only be permitted to exercise the rights of registered owners indirectly through DTC and its Participants.

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

COUNTY OF LOS ANGELES
CALIFORNIA

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the County of Los Angeles (the "County") in connection with the issuance of the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-1 (the "2019 Series E-1 Bonds") and the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2 (the "Series 2019 E-2 Bonds" and, together with the 2019 Series E-1 Bonds, the "Series 2019E Bonds"). The Series 2019E Bonds are being issued pursuant to Marks-Roos Local Bond Pooling Act of 1985, constituting Section 6584 *et seq.* of the California Government Code and the Master Indenture, dated as of February 1, 2015, by and among the County of Los Angeles, California (the "County"), the Los Angeles County Public Works Financing Authority (the "Authority") and Zions Bancorporation, National Association, as trustee (the "Trustee"), as previously amended and supplemented and as further amended and supplemented by that certain Fourth Supplemental Indenture, dated as of [Dated Date], by and among the County, the Authority and the Trustee (as so amended and supplemented, the "Indenture"). The County covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the County for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission ("S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Series 2019E Bonds through nominees, depositories or other intermediaries).

"Dissemination Agent" shall mean the County, or any successor Dissemination Agent designated in writing by the County and which has filed with the County a written acceptance of such designation.

"Financial Obligation" means "financial obligation" as such term is defined in the Rule.

"Holder" shall mean the person in whose name any Bond shall be registered.

"Listed Events" shall mean any of the events listed in Section 5(a) or (b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Participating Underwriter (Series 2019E Bonds)" shall mean any of the original underwriters of the Series 2019E Bonds required to comply with the Rule in connection with offering of the Series 2019E Bonds.

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

SECTION 3. Provision of Annual Reports.

(a) The County shall, or shall cause the Dissemination Agent to, not later than April 1 after the end of the County's fiscal year, commencing with the report for the County's June 30, 2019 fiscal year, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the County may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the County's fiscal year changes, it shall give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Series 2019E Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to said date, the County shall provide the Annual Report to the Dissemination Agent (if other than the County). If the County is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the County shall, in a timely manner, send or cause to be sent notice of such failure to the MSRB.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the County) file a report with the County certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided to the MSRB.

SECTION 4. Content of Annual Reports. The County's Annual Report shall contain or include by reference the following:

(a) Audited financial statements of the County for the preceding fiscal year, prepared in accordance with (1) generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and (2) reporting standards as set forth by the State Controller in "State of California Accounting Standards and Procedures for Counties." If the County's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statement of the County, the Annual Report shall also include the following:

(1) Assessed valuations, tax levies and delinquencies for real property located in the County for the fiscal year of the County most recently ended;

(2) Summary financial information on revenues, expenditures and fund balances for the fiscal year of the County most recently ended;

(3) Summary financial information on the proposed and adopted budgets of the County for the current fiscal year and any changes in the adopted budget;

(4) Summary of aggregate debt obligations of the County for the fiscal year of the County most recently ended;

(5) Summary of annual outstanding principal obligations of the County for the fiscal year of the County most recently ended; and

(6) The ratio of the County's outstanding debt to total assessed valuations as of the most recently ended fiscal year of the County.

Any or all of the items listed above may be set forth in one or a set of documents or may be included by specific reference to other documents, including official statements of debt issues of the County or related public entities, which have been made available to the public on the MSRB's website. The County shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The County shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2019E Bonds in a timely manner not later than ten business days after the occurrence of the event:

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 Series 2019E Bonds;
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 Series 2019E Bonds, or other material events affecting the tax status of the Series 2019E Bonds;
7. modifications to rights of Noteholders, if material;
8. redemption or call of the Series 2019E Bonds, if material, and tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the Series 2019E Bonds, 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;

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

15. incurrence of a Financial Obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the County, any of which affect security holders, if material; and

16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the County, any of which reflect financial difficulties.

(c) Upon the occurrence of a Listed Event described in Section 5(a), or upon the occurrence of a Listed Event described in Section 5(b) which the County determines would be material under applicable federal securities laws, the County shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (b)(3) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Indenture.

SECTION 6. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Certificate must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 7. Termination of Reporting Obligation. The County's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2019E Bonds. If such termination occurs prior to the final maturity of the Series 2019E Bonds, the County shall give notice of such termination in a filing with the MSRB.

SECTION 8. Dissemination Agent. The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be the County.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the County may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a) or (b), 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 Series 2019E Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2019E Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2019E Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the County shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the County. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in a filing with the MSRB, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Certificate, in addition to that which is required by this Disclosure Certificate. If the County chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Certificate, the County shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

SECTION 11. 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 Series 2019E Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the County to comply with its obligations under this Disclosure Certificate; provided, that any such action may be instituted only in Superior Court of the State of California in and for the County of Los Angeles or in U.S. District Court in or nearest to the County of Los Angeles. The sole remedy under this Disclosure Certificate in the event of any failure of the County to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the County, the Dissemination Agent, the Participating Underwriters (Series 2019E Bonds) and Holders and Beneficial Owners from time to time of the Series 2019E Bonds, and shall create no rights in any other person or entity.

Date: ______, 2019.

COUNTY OF LOS ANGELES

By: ____

Authorized Signatory

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

COUNTY OF LOS ANGELES

CALIFORNIA

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the Series 2019E Bonds, Stradling Yocca Carlson & Rauth, Newport Beach, California, Bond Counsel to the Los Angeles County Public Works Financing Authority, will render its approving opinion with respect to the Series 2019E Bonds in substantially the following form:

Los Angeles County Public Works Financing Authority
Los Angeles, California

Re: $__________ Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E1; and

$__________ Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Los Angeles County Public Works Financing Authority (the "Authority") of the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-1 (the "2009 Series E-1 Bonds"), in the aggregate principal amount of $__________ and the Los Angeles County Public Works Financing Authority Lease Revenue Bonds, 2019 Series E-2 (the "2019 Series E-2 Bonds", and together with the 2019 Series E-1 Bonds, the "2019 Series E Bonds"), in the aggregate principal amount of $__________. In such connection, we have reviewed the Constitution and the laws of the State of California and certain proceedings taken by the County of Los Angeles (the "County") and the Authority in connection with the authorization, execution and delivery by the County and the Authority of that certain Master Sublease, dated as of February 1, 2015, as previously amended (the "Master Sublease"), as further amended by that certain Third Amendment to Master Sublease, dated as of __________ 1, 2019 (the "Third Amendment to Sublease" and, together with the Master Sublease as amended, the "Sublease"), by and between the Authority, as lessor, and the County, as lessee. We have also reviewed that certain Master Indenture, dated as of February 1, 2015, as previously amended and supplemented (the "Master Indenture"), as further amended supplemented by that certain Fourth Supplement to Indenture, dated as of __________ 1, 2019 (the "Fourth Supplement to Indenture" and, together with the Master Indenture as amended and supplemented, the "Indenture"), by and among Zions Bank, a division of ZB National Association, as trustee (the "Trustee"), the Authority, and the County. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the County, the Authority, the initial purchasers of the 2019 Series E Bonds, and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us. All capitalized terms used herein shall have the meaning given them in the Indenture unless otherwise defined.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

(1) The Authority is a joint exercise of powers authority duly organized and validly existing under the laws of the State of California with the full power to enter into the Indenture and the Sublease, to perform the agreements on its part contained therein and to issue the 2019 Series E Bonds.

(2) The Indenture and the Sublease have each been duly authorized and approved by the Authority and the County and constitute the valid and binding obligations of the Authority and the County enforceable against the Authority and the County in accordance with their respective terms. The Indenture creates a valid pledge of the Base Rental Payments and other moneys pledged under the Indenture, subject to the provisions of the Indenture.

(3) The 2019 Series E Bonds have been duly and validly authorized by the Authority and are legal, valid and binding limited obligations of the Authority, enforceable in accordance with their terms and the terms of the Indenture. The 2019 Series E Bonds are limited obligations of the Authority payable solely from the Base Rental Payments and other moneys pledged under the Indenture as provided in the Indenture, but are not a debt of the County, the State of California or any other political subdivision thereof within the meaning of any constitutional or statutory limitation, and, neither the faith and credit nor the taxing power of the County, the State of California, or any of its political subdivisions is pledged for the payment thereof.

(4) Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest on the 2019 Series E Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

(5) Interest (and original issue discount) on the 2019 Series E Bonds is exempt from personal income tax imposed by the State of California.

(6) The difference between the issue price of a 2019 Series E Bond (the first price at which a substantial amount of the 2019 Series E Bonds of a maturity are to be sold to the public) and the stated payment price at maturity with respect to such 2019 Series E Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2019 Series E Bond owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a 2019 Series E Bond owner will increase the 2019 Series E Bond owner's basis in the applicable 2019 Series E Bond. Original issue discount that accrues to a 2019 Series E Bond owner is excluded from the gross income of such owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals (as described in paragraph (3) above) and is exempt from State of California personal income tax.

(7) The amount by which a 2019 Series E Bond owner's original basis for determining loss on sale or exchange in a 2019 Series E Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable 2019 Series E Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable 2019 Series E Bond premium reduces the 2019 Series E Bond owner's basis in the applicable 2019 Series E Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2019 Series E Bond premium may result in a 2019 Series E Bond owner realizing a taxable gain when a 2019 Series E Bond is sold by the owner for an amount equal to or less (under certain circumstances) than the original cost of the 2019 Series E Bond to the owner.

Proceeds of the 2009 Series E-2 Bonds might benefit the Martin Luther King, Jr. — Los Angeles (MLK-LA) Healthcare Corporation (the "Corporation"), consequently the 2019 Series E-2 Bonds are being issued as qualified 501(c)(3) bonds within the meaning of Section 145 of the Code. The opinions expressed in paragraphs (4) and (6) are subject to the condition that the County and, with respect to the 2009 Series E-2 Bonds only, the Corporation, comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2019 Series E Bonds to assure that such interest (and original issue discount) will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause the interest (and original issue discount) on the 2019 Series E Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2019 Series E Bonds. The County and Corporation have covenanted to comply with all such requirements.

Except as expressly set forth in paragraphs (4), (5), (6) and (7) we express no opinion regarding any tax consequences with respect to the 2019 Series E Bonds.

Certain agreements, requirements and procedures contained or referred to in the Indenture, the Tax Certificate executed by the Authority and other documents related to the 2019 Series E Bonds may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the tax consequences on and after the date on which any such change occurs or action is taken or omitted upon advice or approval of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Sublease and the Site Lease or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that rights and obligations under the 2019 Series E Bonds, the Indenture and the Sublease are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against municipalities in the State of California, and that we express no opinion as to any provisions in the Sublease or the Indenture with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the 2019 Series E Bonds terminates on the date of their execution and delivery.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2019 Series E Bonds and expressly disclaim any duty to advise the owners of the 2019 Series E Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

COUNTY OF LOS ANGELES
CALIFORNIA