

ATTACHMENT A
TWENTY-EIGHTH SUPPLEMENTAL RESOLUTION

THE COUNCIL OF THE CITY OF LOS ANGELES

TWENTY-EIGHTH SUPPLEMENTAL RESOLUTION

Adopted by the Council of the City

May __, 2015

SUPPLEMENTING THE

WASTEWATER SYSTEM REVENUE BONDS GENERAL RESOLUTION

Adopted by the Council of the City

November 10, 1987

AND AUTHORIZING AND APPROVING THE ISSUANCE OF
WASTEWATER SYSTEM REVENUE BONDS, SERIES 2015 IN ONE OR MORE SERIES,
INCLUDING REFUNDING BONDS, THE NEGOTIATED SALE OF SUCH
BONDS, THE EXECUTION AND DELIVERY OF DOCUMENTS
RELATED THERETO AND RELATED ACTIONS

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TWENTY-EIGHTH SUPPLEMENTAL RESOLUTION

Providing for

City of Los Angeles
Wastewater System Revenue Bonds
Series 2015

WHEREAS, the City Council (the "Council") of the City of Los Angeles (the "City") on November 10, 1987 adopted a resolution designated as the "WASTEWATER SYSTEM REVENUE BONDS GENERAL RESOLUTION," as supplemented by supplemental resolutions thereto (collectively, the "General Resolution"), which sets forth the basic terms under which the City may issue wastewater system revenue bonds and which provides for a pledge of Revenues (as defined in the General Resolution) to secure all Bonds (defined below) issued thereunder; and

WHEREAS, the General Resolution provides that each Series of Bonds issued thereunder shall be authorized by, and the terms thereof set forth in, a Supplemental Resolution; and

WHEREAS, the Council, by resolution adopted on February 24, 1987, submitted to the qualified voters of the City the proposition of issuing bonds pursuant to the procedures set forth in the Revenue Bond Law of 1941, §54300 *et seq.* of the California Government Code (the "Revenue Bond Law") for the purpose of financing a portion of a major wastewater system improvement program; and

WHEREAS, at three elections, the voters voting on the respective propositions authorized a total of \$3,500,000,000 in bonds for the purpose of financing a portion of a major wastewater system improvement program; and

WHEREAS, on June 8, 1999, the City adopted a new Charter of the City (the "Charter"), which Charter became operative on and as of July 1, 2000; and

WHEREAS, pursuant to Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City, the Council, exercising the powers reserved to the City under the Constitution of the State of California, and its powers under Section 361 of the Charter, may determine that revenue bonds, notes and other indebtedness or obligations (as defined in said Article 6.7 and as used for purposes of this preamble, "Bonds") be issued as provided in said Article 6.7 for the purpose of financing project costs, refunding outstanding Bonds, establishing reserves and paying costs of issuance in connection with such Bonds, payable from the SCM Fund (as defined in the General Resolution), and said Article 6.7 shall provide a complete alternative method of issuing such Bonds without a vote of qualified voters in the City; and

WHEREAS, the City has, under the General Resolution and individual supplemental resolutions thereto, issued wastewater system revenue bonds, all of which are Senior Lien Bonds (to the extent Outstanding) and are collectively referred to herein as the "Prior Senior Bonds." The Prior Senior Bonds are Outstanding in the aggregate principal amount of \$1,056,750,000 as of the date hereof; and

WHEREAS, on March 26, 1991, the Council adopted a Wastewater System Subordinate Revenue Bonds General Resolution, as supplemented by supplemental resolutions thereto (collectively, the "Subordinate General Resolution") that sets forth the basic terms under which the City may issue wastewater system revenue bonds ("Subordinate Bonds") that are subordinate to the Bonds and provide for a pledge of Revenues to secure all bonds issued thereunder, which pledge of Revenues is subordinate to the pledge of Revenues established pursuant to the General Resolution and that authorizes a commercial paper program through the issuance from time to time of commercial paper notes (the "Commercial Paper Notes") which commercial paper notes are payable on a basis subordinate to the Bonds issued under the General Resolution; and

WHEREAS, the City has, under the Subordinate General Resolution and individual supplemental resolutions thereto, issued wastewater system subordinate revenue bonds, all of which are Subordinate Bonds (to the extent Outstanding) and are collectively referred to herein as the "Prior Subordinate Bonds." The Prior Subordinate Bonds are Outstanding in the aggregate principal amount of \$1,350,780,000 as of the date hereof; and

WHEREAS, the General Resolution provides that additional Bonds may be issued in one or more Series, and the City has determined that it is now appropriate to authorize the issuance of one or more Series of Bonds designated as Revenue Bonds, Series 2015, with such additional Series and subseries designations, including "Refunding Bonds" and/or "Green Bonds," as shall be deemed necessary or appropriate as provided herein (the "Series 2015 Bonds"), through the adoption of this Twenty-Eighth Supplemental Resolution (the "Twenty-Eighth Supplemental Resolution") in accordance with the provisions of the General Resolution, for the purpose of (i) refunding all or any portion of the outstanding Commercial Paper Notes and/or refunding all or any portion of the Prior Senior Bonds and/or of the Prior Subordinate Bonds (collectively, the "Refunded Obligations"), whether through a current refunding or an advance refunding, (ii) funding any deposit into a 2015 Construction Fund in an amount needed to pay any Project Costs associated with any improvements to the System, (iii) funding any required deposit into the Reserve Fund in connection with the issuance of any Series of Series 2015 Bonds, and (iv) paying the costs of issuance in connection with the issuance of any Series of Series 2015 Bonds; and

WHEREAS, the Series 2015 Bonds shall be issued pursuant to and in accordance with the procedures set forth in the Charter, Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (hereinafter, the "Procedural Ordinance"), and, with respect to the Refunding Bonds, Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the California Government Code (the "Refunding Law") and the provisions of the General Resolution, including this Twenty-Eighth Supplemental Resolution; and

WHEREAS, the Series 2015 Bonds may be issued in one or more Series, in such amounts and with such payment terms and details as the City Administrative Officer, upon the advice of the City's financial advisors, shall determine to be in the City's best interests and which are otherwise consistent with the provisions and parameters of the General Resolution and this Twenty-Eighth Supplemental Resolution; and

WHEREAS, the aggregate principal amount of Series 2015 Bonds issued pursuant to this Twenty-Eighth Supplemental Resolution and the 2015 Subordinate Bonds issued pursuant to the Seventeenth Supplemental Resolution for the purpose of financing improvements to the System shall not exceed \$300,000,000 (not including any refinancing through refundings of Refunded Senior Bonds, Refunded Subordinate Bonds or Commercial Paper Notes, as described in the following preamble); and

WHEREAS, any refunding to be accomplished with the proceeds from the sale of any Series of Series 2015 Bonds issued pursuant to this Twenty-Eighth Supplemental Resolution will result in (i) with respect to the Refunded Senior Bonds or Refunded Subordinate Bonds (as such terms are hereinafter defined), either (A) (1) a minimum present value savings equal to at least 70% of the maximum call option value of the Refunded Senior Bonds or Refunded Subordinate Bonds being refunded or (2) a minimum average net present value savings of 3%, expressed as a percentage of the principal amount of the Refunded Senior Bonds or Refunded Subordinate Bonds being refunded, or (B) a desirable restructuring of debt or benefits to the manageability and convenience of the bond financing and refunding program for the System and (ii) with respect to the Commercial Paper Notes, a desirable restructuring of debt or benefits for the manageability and convenience of the System's Bond financing and refunding program, in each case, as determined by the City Administrative Officer, upon the advice of the City's financial advisors, at or before the time of issuance; and

WHEREAS, the aggregate principal amount of Series 2015 Bonds issued pursuant to this Twenty-Eighth Supplemental Resolution for the purpose of refunding Prior Senior Bonds or Prior Subordinate Bonds (not including the Commercial Paper Notes) shall not be limited in principal amount if such refunding satisfies either clause (1) or (2) of clause (i)(A) of the preceding recitation; and

WHEREAS, Sections 5450 *et seq.* of the California Government Code (the "Government Code") provide statutory authority for pledging collateral for the payment of principal or redemption price of, and interest on bonds, and the Government Code creates a continuing perfected security interest which shall attach immediately to such collateral irrespective of whether the parties to the pledge documents have notice of the pledge and without the need for any physical delivery, recordation, filing, or further act, and the City hereby warrants and represents that pursuant to the General Resolution and this Twenty-Eighth Supplemental Resolution, the Owners of the Series 2015 Bonds have a first priority perfected security interest in Revenues that serve as the collateral for the Series 2015 Bonds pursuant to the Government Code; and

WHEREAS, the City has determined, based upon the existing market conditions and upon the advice of its financial advisors and the City Attorney, that it is in the best financial interests of the City to sell the Series 2015 Bonds through a negotiated underwriting process, provided that, if market conditions should change, nothing herein shall preclude the City from selling the Series 2015 Bonds on a competitive basis, and has further determined that it is not practicable or compatible with the City's best interests to select the other professionals for the Series 2015 Bonds by sealed competitive bids, and the Council desires to make relevant findings in this regard in order to comply with recent judicial interpretations of such requirements; and

WHEREAS, the City has determined that one or more Series or subseries of the Series 2015 Bonds may be issued as “Green Bonds”; and

WHEREAS, Section 11.03 of the General Resolution permits the City by supplemental resolution to amend and supplement the General Resolution and any Supplemental Resolution thereto and Section 11.03 of the General Resolution authorizes the City to distribute notice to all Bondholders and Insurers of the Outstanding Bonds of its intention to amend the General Resolution in the form attached hereto as Attachment 2 (the “Supplemental Resolution”); and

WHEREAS, the City proposes to circulate for approval of Bondholders and Insurers a form of Supplemental Resolution attached hereto as Attachment 2, which this Council intends to adopt in substantially such form when all required consents have been obtained; and

WHEREAS, any purchasers of the Series 2015 Bonds and any purchasers of any Bonds hereafter issued under the General Resolution prior to the adoption of such Supplemental Resolution shall be deemed to have granted their consent to the Supplemental Resolution in the form set forth as Attachment 2 by their purchase of the Series 2015 Bonds or such Bonds hereafter issued (and such purchase shall be deemed to constitute the written consent of such purchasers); and

WHEREAS, the Twenty-Eighth Supplemental Resolution is adopted in accordance with the provisions of the General Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City, as follows:

ARTICLE I

AUTHORIZATION AND SECURITY

Section 1.01. General Resolution; Special Obligations. The Series 2015 Bonds authorized by this Twenty-Eighth Supplemental Resolution are Bonds issued under the terms of the General Resolution and secured by and entitled to the security and the rights granted by the General Resolution. The Series 2015 Bonds shall be issued on a parity with the Prior Senior Bonds and any other Senior Lien Bonds issued hereafter and shall be senior to the Commercial Paper Notes, all Prior Subordinate Bonds and any other Subordinate Bonds issued hereafter, including the 2015 Subordinate Bonds, pursuant to the Subordinate General Resolution.

The Series 2015 Bonds shall be and are special, limited obligations of the City, and the City shall be obligated to pay the principal of, premium, if any, and interest on the Series 2015 Bonds solely from the Revenues and from amounts in the SCM Fund, the Debt Service Fund, the Reserve Fund and the Construction Funds. The General Fund of the City is not liable for the payment of the principal of, interest on or premium, if any, on the Series 2015 Bonds. Neither the full faith and credit nor the taxing power of the City is pledged to pay the Series 2015 Bonds. The principal of and interest on the Series 2015 Bonds and any premiums upon the redemption of any thereof are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues except the Revenues and amounts in the Debt Service Fund, Reserve Fund and Construction Funds.

Section 1.02. Authorization. The Series 2015 Bonds are hereby declared to be issued under and pursuant to the terms of the Charter, the Procedural Ordinance and, with respect to the Refunding Bonds, the Refunding Law, as applicable, and secured as provided in the Charter, the Procedural Ordinance and the General Resolution; and provided, that the security provided for the Series 2015 Bonds is also granted to secure other Bonds issued under the General Resolution and provided that subordinated liens on the Revenues may be granted. The Series 2015 Bonds may recite that they are issued pursuant to the Charter, the Procedural Ordinance and/or the Refunding Law, as applicable. It is hereby declared that a portion of the proceeds of the Series 2015 Bonds issued as refunding bonds may be held in part and for such time as the City may deem advisable in trust for the protection of the owners of the Refunded Obligations.

ARTICLE II

DEFINITIONS; INTERPRETATION

Section 2.01. Definitions. The following definitions shall apply to terms used in this Twenty-Eighth Supplemental Resolution unless the context clearly requires otherwise:

“Attachment 1” means each Attachment 1 to this Twenty-Eighth Supplemental Resolution, substantially in the form of Exhibit A hereto, completed, executed and delivered by the City Administrative Officer pursuant to Section 3.04 hereof in connection with the issuance of the related Series of Series 2015 Bonds and setting forth the terms thereof as described in Article III hereof; each such Attachment 1, upon execution and delivery, shall become a part of this Twenty-Eighth Supplemental Resolution.

“Authorized City Representative” means the Mayor, the City Clerk, the City Controller, the City Administrative Officer or a duly authorized designee of any of the foregoing, or any one or more of them and, in addition to the foregoing, for the purpose of directing the investment of money under the General Resolution only, the Treasurer or any Assistant Treasurer.

“Authorized Denominations” means denominations of \$5,000 and integral multiples thereof.

“Beneficial Owner” means, whenever used with respect to a Series 2015 Bond, the person in whose name such Bond is recorded as the beneficial owner by a Participant on the records of such Participant or such person’s subrogee.

“Bond Purchase Agreement” means an agreement between the City and the respective Underwriters identified therein providing for the purchase by such Underwriters for reoffering of one or more Series of the Series 2015 Bonds.

“Book-Entry Bonds” means the Series 2015 Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of Section 3.06 hereof.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2015 Bonds.

“Charter” means the Charter of the City of Los Angeles.

“City Administrative Officer” means the City Administrative Officer of the City, any Assistant City Administrative Officer of the City or any duly authorized designee thereof.

“Commercial Paper Notes” or “CP Notes” means the City’s Wastewater System Commercial Paper Revenue Notes outstanding under the Subordinate Bond Resolution, as amended and supplemented, as of the effective date of this Twenty-Eighth Supplemental Resolution.

“Continuing Disclosure Certificate” means each Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of any Series of Series 2015 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all costs and expenses incurred by the City in connection with the issuance of any Series of Series 2015 Bonds and the refunding of any Refunded Obligations pursuant to this Twenty-Eighth Supplemental Resolution, including, but not limited to, costs and expenses of printing and copying documents and the Series 2015 Bonds, any fees incurred in connection with agreements described in Section 10.06 hereof, and the fees, costs and expenses of rating agencies, counsel, accountants, verification specialists, underwriters, engineers, financial advisors, the escrow agent, insurance consultants and other consultants and agents.

“CP Debt Service Fund” has the meaning given such term in the Subordinate General Resolution.

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

“Escrow Agent” means a financial institution meeting the City’s capitalization requirements appointed pursuant to Section 9.01 hereof to serve as escrow agent under an Escrow Agreement.

“Escrow Agreement” means an agreement between the City and an Escrow Agent, and related to the deposit, investment and use of a portion of the proceeds of any one or more Series of Series 2015 Bonds and the earnings thereon to pay principal of, and premium and interest on any Refunded Obligations and to pay the Costs of Issuance of such Series of Series 2015 Bonds.

“Fitch” means Fitch Ratings, Inc. and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

“General Resolution” means that Wastewater System Revenue Bonds General Resolution adopted by the Council on November 10, 1987 and setting forth the terms under which wastewater system revenue bonds of the City may be issued and secured, as amended and supplemented from time to time in accordance with the terms thereof.

“General Wastewater System Construction Fund” means that fund created by Ordinance No. 165924 of the City adopted on May 22, 1990 into which the City shall from time to time

deposit either directly or by payment from other funds Bond proceeds and the earnings thereon to be used to pay Project costs.

“Interest Payment Date,” for any Series of Series 2015 Bonds, means December 1, 2015, and each June 1 and December 1 thereafter, or such other interest payment dates designated in Attachment 1 with respect to such Series.

“Kroll” means Kroll Bond Rating Agency and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

“Opinion of Bond Counsel” means an Opinion of Counsel by Bond Counsel.

“Opinion of Counsel” means a written opinion of counsel who is acceptable to the City. The counsel may be an employee of or counsel to the City.

“Prior Senior Bonds” means, collectively, all Senior Lien Bonds issued by the City pursuant to the General Resolution prior to this Supplemental Resolution.

“Prior Subordinate Bonds” means, collectively, all Subordinate Bonds previously issued by the City pursuant to the Subordinate General Resolution prior to this Supplemental Resolution.

“Record Date” means, for a June 1 Interest Payment Date, the close of business on the preceding May 15 and, for a December 1 Interest Payment Date, the close of business on the preceding November 15, whether or not such day is a Business Day, or such other record dates designated in Attachment 1 with respect to such Series.

“Refunded Obligations” means all or any of the Refunded Senior Bonds and the Refunded Subordinate Bonds and, if applicable, the Commercial Paper Notes to be refunded by the Series 2015 Subordinate Bonds, as the context may require.

“Refunded Senior Bonds” means all or any of the Prior Senior Bonds which are to be refunded by the Series 2015 Bonds, as described in Attachment 1 relating to such Series of Series 2015 Bonds.

“Refunded Subordinate Bonds” means all or any of the Prior Subordinate Bonds which are to be refunded by the Series 2015 Bonds, as described in Attachment 1 relating to such Series of Series 2015 Bonds.

“Representation Letter” means the Master Letter of Representations from the City to DTC which Representation Letter shall apply to the Series 2015 Bonds.

“Rule 15c2-12” means Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

“Senior Lien Bonds” means any bonds, notes or other indebtedness, obligations or securities of any kind or class issued or incurred under and secured by the General Resolution (and as further defined therein).

“Series” means any Series of Series 2015 Bonds as designated in Attachment 1 attached hereto.

“Series 2015 Bonds” means the City of Los Angeles Wastewater System Revenue Bonds, of each Series issued pursuant to the General Resolution and this Twenty-Eighth Supplemental Resolution.

“Series 2009-A Bonds” means the \$454,785,000 City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2009-A issued pursuant to the General Resolution and the Twenty-Fourth Supplemental Resolution.

“Series 2005-A Bonds” means the \$300,655,000 City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2005-A issued pursuant to the General Resolution and the Twenty-Third Supplemental Resolution.

“Service Charges Agreements” means, collectively, those Supplemental Service Charges Agreements or similar agreements entered into by the City and other political entities which agreements are supplemental to the basic and general contracts or agreements between the City and such entities relating to the use of the System and which supplemental agreements relate to the System and provide for the payment of Supplemental Service Charges or other payments in recognition of the City’s increased expenses as a result of providing System improvements and/or expansions which benefit the contracting political entities.

“S&P” means Standard & Poor’s Corporation and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

“Subordinate Bonds” means any bonds, notes or other indebtedness, obligations or securities of any kind or class issued or incurred under and secured by the Subordinate General Resolution (and as further defined therein).

“Subordinate General Resolution” means that Wastewater System Subordinate Revenue Bonds General Resolution adopted by the Council on March 26, 1991, as amended and supplemented from time to time in accordance with the terms thereof, setting forth the terms under which Subordinate Bonds, including the Commercial Paper Notes of the City, may be issued and secured.

“Tax Certificate” means the Tax Certificate relating to federal tax matters to be executed on behalf of the City at the time of issuance of any one or more Series of Series 2015 Bonds, as amended from time to time.

“Underwriters” means, the respective underwriters identified in a Bond Purchase Agreement with the City with respect to any one or more Series of the Series 2015 Bonds.

Section 2.02. Incorporation of Definitions in the General Resolution. Except as otherwise provided in Section 2.01 hereof, all words, terms and phrases defined in the General Resolution shall have the same meanings in this Twenty-Eighth Supplemental Resolution as in the General Resolution.

Section 2.03. Article and Section References. Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this Twenty-Eighth Supplemental Resolution.

Section 2.04. Treatment of Payments Received Under Service Charges Agreements. The City anticipates that, from time to time, it may enter into one or more Service Charges Agreements and it is hereby specifically provided that, for purposes of the definition of “Revenues” as set forth in the General Resolution, it shall be determined and such term shall be interpreted such that, amounts paid to the City under the Service Charges Agreements are and shall be designated as service charges and included as Revenues and are not designated for capital costs.

ARTICLE III

DESCRIPTION THE SERIES 2015 BONDS

Section 3.01. Designation of the Series 2015 Bonds; Principal Amounts. The Series 2015 Bonds are hereby authorized to be issued in one or more Series (and any subseries thereof) under the General Resolution and this Twenty-Eighth Supplemental Resolution. The aggregate principal amount of Series 2015 Bonds issued pursuant to this Twenty-Eighth Supplemental Resolution to finance improvements to the System shall not exceed \$300,000,000 (not including any refinancing through refundings of Refunded Senior Bonds, Refunded Subordinate Bonds or Commercial Paper Notes). The aggregate principal amount of Series 2015 Bonds issued pursuant to this Twenty-Eighth Supplemental Resolution for the purpose of refunding Prior Senior Bonds or Prior Subordinate Bonds (not including Commercial Paper Notes) shall not be limited except as provided in the preambles to this Twenty-Eighth Supplemental Resolution and Section 3.03 hereof. The Series 2015 Bonds shall be issued in such principal amounts, and shall be designated as the “City of Los Angeles Wastewater System Revenue Bonds, Series 2015” with such additional Series and subseries designations (if any), including “Refunding Bonds” and/or “Green Bonds,” as set forth in the Attachment 1 related to such Series of Series 2015 Bonds. References herein to a Series of Series 2015 Bonds shall be equally applicable to a subseries thereof.

Section 3.02. Series 2015 Bonds Under the General Resolution; Security. The Series 2015 Bonds are issued under, secured by and subject to the terms of the General Resolution and are secured by the Revenues in accordance with the terms of the General Resolution. The Series 2015 Bonds are special obligations of the City payable only from the Revenues, the SCM Fund, the Debt Service Fund, the Reserve Fund and the Construction Fund, and not from the general

fund of the City, and the City is not obligated to pay the Series 2015 Bonds from any other source.

Section 3.03. Terms, Payment Provisions and Parameters of the Series 2015 Bonds. The Series 2015 Bonds shall be issuable only as fully registered bonds in Authorized Denominations. The Series 2015 Bonds shall be signed by the Mayor or the City Administrative Officer, and shall be authenticated by any Authorized City Representative. Any such signature may be by facsimile, except that on one of each Series 2015 Bond there shall be at least one manual signature. The Series 2015 Bonds shall be numbered as any Authorized City Representative shall determine.

The Series 2015 Bonds of each Series, upon initial issuance, shall be dated the date of delivery (or have such other dated date as set forth in the Attachment 1 related to such Series). Each Series 2015 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is after a Record Date and on or prior to the next succeeding Interest Payment Date, in which event such Bond shall bear interest from such next succeeding Interest Payment Date or unless such date of authentication is on or before the first Interest Payment Date, in which event such Bond shall bear interest from its dated date. If interest on the Series 2015 Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the Interest Payment Date to which interest has been paid in full on the Bonds surrendered.

Interest on the Series 2015 Bonds shall be paid on December 1, 2015 and semiannually thereafter on each June 1 and December 1 (or on such other semiannual interest payment dates as set forth in the Attachment 1 related to such Series). Interest shall be calculated on the basis of a year of 360 days and twelve 30-day months.

The Series 2015 Bonds shall mature on June 1 (or on such other date as set forth in the Attachment 1 related to such Series) in the years and in the amounts, subject to prior redemption (if applicable), and bear interest at the annual rates set forth in the Attachment 1 related to such Series, provided, however, that the final maturity of the Series 2015 Bonds will not be later than 40 years from the date of issuance of such Series and the true interest cost on the Series 2015 Bonds of any Series will not exceed 8%.

Payment of principal of the Series 2015 Bonds shall be made upon surrender of such Series 2015 Bonds to the City Administrative Officer provided that with respect to the Series 2015 Bonds which are Book-Entry Bonds, the Treasurer may make other arrangements for the payment of principal as provided in the Representation Letter. Payment of interest on Series 2015 Bonds which are not Book-Entry Bonds shall be paid by check of the City or a Paying Agent, if a Paying Agent has been appointed, mailed by first-class mail, postage prepaid, to the registered owners at their addresses as they appear on the registration books maintained for the Series 2015 Bonds. The payment of interest on Book-Entry Bonds shall be made as provided in Section 3.06 hereof. With respect to all Series 2015 Bonds, interest shall be paid to the person who was, on the Record Date, the registered owner thereof. The Series 2015 Bonds shall be substantially in the form set forth in Section 3.07 hereof. Principal, interest and premium, if any, will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts.

Interest on overdue principal of a Series 2015 Bond and, to the extent lawful, on overdue interest on a Series 2015 Bond will be payable at the stated interest rate on such Series 2015 Bond on the day before the default occurred.

Any refunding to be accomplished with the proceeds from the sale of any Series of Series 2015 Bonds issued pursuant to this Twenty-Eighth Supplemental Resolution will result in (i) with respect to the Refunded Senior Bonds or Refunded Subordinate Bonds, either (A) (1) a minimum present value savings equal to at least 70% of the maximum call option value of the Refunded Senior Bonds or Refunded Subordinate Bonds being refunded or (2) a minimum average net present value savings of 3%, expressed as a percentage of the principal amount of the Refunded Senior Bonds or Refunded Subordinate Bonds being refunded, or (B) a desirable restructuring of debt or benefits to the manageability and convenience of the bond financing and refunding program for the System and (ii) with respect to the Commercial Paper Notes, a desirable restructuring of debt or benefits for the manageability and convenience of the System's Bond financing and refunding program, in each case, as determined by the City Administrative Officer, upon the advice of the City's financial advisors, at or before the time of issuance. Satisfaction of this requirement with respect to any Series of Series 2015 Bonds shall be conclusively evidenced by the execution of the Attachment 1 related to such Series.

Section 3.04. Approval and Authorization of each Attachment 1 to Constitute a Part of this Resolution. The City Administrative Officer is hereby authorized to complete, execute and deliver, on or about the date of the delivery of each Series of Series 2015 Bonds (and any subseries thereof) the related Attachment 1 substantially in the form of Exhibit A hereto, with such additions and modifications as are necessary or required to complete such document. The form of Attachment 1 is hereby approved and, upon execution and delivery by the City Administrative Officer each such Attachment 1 shall be made a part of this Twenty-Eighth Supplemental Resolution, without any further authorization or approval of this Council or any other party. The City Administrative Officer shall transmit a final copy of each such Attachment 1 to the City Clerk on or prior to the date of issuance of the related Series of Series 2015 Bonds (and any subseries thereof) so that each Attachment 1 can be attached to this Twenty-Eighth Supplemental Resolution in the records of the City, provided that the failure of the City Administrative Officer to so deliver any Attachment 1 or the failure of the City Clerk to so attach the document shall not affect the validity of the Series 2015 Bonds of any Series (or subseries thereof) issued pursuant to this Twenty-Eighth Supplemental Resolution.

Section 3.05. Exchange and Transfer of Series 2015 Bonds. Series 2015 Bonds which are delivered to the Treasurer for exchange may be exchanged for an equal total unpaid principal amount of Series 2015 Bonds of the same Series and maturity but of different Authorized Denominations. Series 2015 Bonds presented to the Treasurer shall be transferred upon the registration books in accordance with the procedures determined by the Treasurer and as provided in Section 3.06 of the General Resolution.

The Treasurer will not, however, be required to transfer or exchange any such Series 2015 Bond during the period beginning 15 days before the mailing of notice calling such Series 2015 Bond for redemption and ending on the date notice of redemption is mailed nor to transfer or exchange any Series 2015 Bond which has been selected for redemption.

Section 3.06. Book-Entry Bonds.

(a) Except as provided in subparagraph (c) of this Section 3.06, the registered owner of all of the Series 2015 Bonds shall be DTC and the Series 2015 Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of principal or interest for any Series 2015 Bond registered in the name of Cede & Co. shall be made on the payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of Cede & Co. Such payments shall be made to Cede & Co. at the address which is, on the regular Record Date or special record date, as the case may be, shown for Cede & Co. in the registration books of the City.

(b) The Series 2015 Bonds shall be initially issued in the form of a separate single authenticated fully registered Series 2015 Bond for each separate stated maturity of the Series 2015 Bonds. Upon initial issuance, the ownership of all Series 2015 Bonds shall be registered on the registration books of the City in the name of Cede & Co., as nominee of DTC. The City may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2015 Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Series 2015 Bonds, respectively, selecting the Series 2015 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the General Resolution or this Twenty-Eighth Supplemental Resolution, registering the transfer of Series 2015 Bonds, as the case may be, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and the City shall not be affected by any notice to the contrary. The City shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2015 Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment to DTC or any Participant of any amount in respect of the principal of, redemption price of or interest on the Series 2015 Bonds; any notice which is permitted or required to be given to Bondholders under the General Resolution or this Twenty-Eighth Supplemental Resolution; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2015 Bonds; or any consent given or other action taken by DTC as Bondholder. The City shall pay all principal of and premium, if any, and interest on the Series 2015 Bonds only to or "upon the order of" DTC (as that term is used in the Uniform Commercial Code as adopted in the State of California), and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations, with respect to the principal of and premium, if any, and interest on the Series 2015 Bonds, respectively, to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Series 2015 Bond evidencing the obligation of the City to make payments of principal of and premium, if any, and interest pursuant to the General Resolution or this Twenty-Eighth Supplemental Resolution. Upon delivery by DTC to the City of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word "Cede & Co." in this Twenty-Eighth Supplemental Resolution shall refer to such new nominee of DTC.

(c) If the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bond certificates and that such certificates should, therefore, be made available, and notifies DTC of such determination, then DTC will notify the Participants of the

availability through DTC of Bond certificates. In such event the Treasurer shall authenticate and shall transfer and exchange Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2015 Bonds at any time by giving written notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City shall be obligated to deliver Bond certificates as described in this Twenty-Eighth Supplemental Resolution. If Bond certificates are issued, the provisions of the General Resolution and this Twenty-Eighth Supplemental Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the City to do so, the City will cooperate with DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the Series 2015 Bonds to any DTC Participant having Series 2015 Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2015 Bonds.

(d) Notwithstanding any other provision of the General Resolution or this Twenty-Eighth Supplemental Resolution to the contrary, so long as any Series 2015 Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on such Series 2015 Bond and all notices with respect to such Series 2015 Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to the General Resolution and this Twenty-Eighth Supplemental Resolution by the City with respect to any consent or other action to be taken by Bondholders, the City shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.

Section 3.07. Form of Series 2015 Bonds. The Series 2015 Bonds of each Series (and any subseries thereof) shall be substantially in the following form, with such additions, deletions and modifications as shall be necessary or appropriate to conform such form to the Attachment 1 related to each Series:

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
CITY OF LOS ANGELES
WASTEWATER SYSTEM REVENUE BOND,
[REFUNDING] SERIES 2015-[Add Series/subseries Designation]

No. _____ \$ _____

Interest Maturity Date Dated Date CUSIP No.
%

THIS BOND IS A SPECIAL, LIMITED OBLIGATION OF THE CITY OF LOS ANGELES. THE PRINCIPAL HEREOF, PREMIUM, IF ANY, AND INTEREST HEREON ARE PAYABLE SOLELY FROM CERTAIN WASTEWATER SYSTEM REVENUES AND OTHER AMOUNTS ON DEPOSIT IN CERTAIN SPECIAL LIMITED FUNDS AS DESCRIBED HEREIN. THE CITY IS NOT OBLIGATED TO MAKE PAYMENT HEREON FROM ANY OTHER SOURCE. THIS BOND IS NOT PAYABLE FROM THE GENERAL FUND OF THE CITY AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF ANY AMOUNTS DUE ON THIS BOND.

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The City of Los Angeles (the "City"), a municipal corporation and a political subdivision of the State of California, organized and operating under the terms of the Charter of the City of Los Angeles (the "Charter") and the Constitution of the State of California, promises to pay, from the sources described in this Bond and not from any other sources, to the Registered Owner set forth above or registered assigns, the Principal Amount set forth above on the Maturity Date set forth above, and to pay interest as provided in this Bond.

[This Bond is subject to redemption prior to its maturity date.] The times, prices and conditions under which this Bond may be redeemed are hereinafter described.

This Bond is authorized, issued and secured under the terms of that Wastewater System Revenue Bonds General Resolution adopted by the Council of the City on November 10, 1987 and the terms of that Twenty-Eighth Supplemental Resolution Supplementing the Wastewater System Revenue Bonds General Resolution, adopted by the Council on _____, 2015 (as hereinafter defined, the "Twenty-Eighth Supplemental Resolution"). This Bond is issued pursuant to the authority of the Charter, Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City, [and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 et seq. and Section 53580 et seq., respectively) of the Government Code of the State of California].

Additional provisions of this Bond are set forth on the following pages of this Bond.

Dated:

[CITY CLERK],
as duly Authorized AUTHENTICATING
AGENT FOR THE CITY OF LOS
ANGELES,
certifies that this is one of the Bonds referred
to in the General Resolution and Twenty-
Eighth Supplemental Resolution referred to
herein.

CITY OF LOS ANGELES

By: _____
[Mayor or City Administrative Officer]

By: _____

[FORM ON FOLLOWING PAGES OF BOND]

1. General Resolution; Twenty-Eighth Supplemental Resolution; Source of Payment. The Council of the City has on November 10, 1987 adopted a resolution captioned "WASTEWATER SYSTEM REVENUE BONDS GENERAL RESOLUTION" (the "General Resolution"), which provides that the City may from time to time issue wastewater system revenue bonds and other forms of obligations and indebtedness under the terms thereof, and such General Resolution pledges to the payment of all obligations issued or incurred under the terms thereof the "Revenues" of the City's wastewater system (the "System"), which Revenues are defined as all revenues of the City's Sewer Construction and Maintenance Fund and revenues otherwise attributable to the System, including, but not limited to, the revenues currently arising as a result of the imposition of sewer service charges, industrial waste surcharge and inspection fees, sewage disposal contract charges, sewerage facility charges and bonded sewer fees and all other income and receipts derived by the City from the ownership or operation of the System or arising from the System and including amounts attributable to extensions, additions and improvements to the System and all other amounts received by the City in payment for providing wastewater collection, treatment and/or disposal services; and all earnings received from the investment of the SCM Fund (as defined in the General Resolution) and those funds referred to in the General Resolution as the Debt Service Fund, the Reserve Fund and the Emergency Fund; provided, however, that Revenues do not include: (1) any amount received from the levy or collection of taxes; (2) amounts received under contracts or agreements with governmental or private entities and designated for capital costs; (3) moneys received as grants from the United States of America or from the State of California; (4) earnings received from the investment of the Construction Funds; (5) the proceeds of borrowing; and (6) proceeds of insurance.

In addition, the City pledges the following to secure bonds and other forms of obligations and indebtedness issued under the General Resolution: (1) the Revenues held in the SCM Fund, including the earnings on such Revenues, and (2) all moneys and securities held in the Reserve Fund, the Debt Service Fund (except as restricted by the General Resolution) and the Construction Funds, all as described in the General Resolution.

All bonds, notes and other indebtedness, obligations or securities of any kind or class issued or incurred pursuant to the terms of the General Resolution are referred to as “Bonds” and are all equally and ratably secured by and payable from the Revenues and those funds described in the preceding paragraph. The City has previously issued multiple series of its Wastewater System Revenue Bonds under the General Resolution (the “Prior Senior Bonds”). The Series of Bonds of which this Bond constitutes a part is issued under the terms of the General Resolution and a “TWENTY-EIGHTH SUPPLEMENTAL RESOLUTION SUPPLEMENTING THE WASTEWATER SYSTEM REVENUE BONDS GENERAL RESOLUTION” (the “Twenty-Eighth Supplemental Resolution”) adopted by the Council on _____, 2015, is designated as the “City of Los Angeles Wastewater System Revenue Bonds, [Refunding] Series 2015 [add Series Designation].” All Bonds issued under the Twenty-Eighth Supplemental Resolution are herein referred to as the Series 2015 Bonds. The Series 2015 Bonds [add Series designation] are being issued for the purpose of [refunding all or a portion of the outstanding Commercial Paper Notes issued under a resolution designated as the “WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS GENERAL RESOLUTION,” adopted by the City Council on March 26, 1991, as supplemented by supplemental resolutions thereto (the “Subordinate General Resolution”)] [refunding all or a portion of the City’s Prior Senior Bonds] [and all or a portion of the City’s Prior Subordinate Bonds], [paying the costs of improvements to the System,] funding a deposit to the Reserve Fund and paying the costs of issuance associated with the issuance of such bonds. The Series 2015 Bonds are issued on a parity with and are payable from the same sources of funds as all Prior Senior Bonds Outstanding.

Additional Bonds may be issued from time to time under the terms of the General Resolution, and all such additional Bonds will be equally and ratably secured with the Series 2015 Bonds and the Prior Senior Bonds in accordance with the General Resolution and the Subordinate General Resolution, respectively, by the Revenues and those funds described in the preceding paragraphs and will be payable from the same source as the Series 2015 Bonds and the Prior Senior Bonds. The General Resolution provides that operation and maintenance expenses of the System are to be paid from the Revenues in the SCM Fund as such expenses become due in the ordinary course of business.

The City’s obligation to make payment of the principal of, interest on and premium, if any, on the Bonds is only to the extent of the Revenues and amounts in the SCM Fund, the Debt Service Fund, the Reserve Fund and the Construction Fund (defined in the General Resolution), and the City has no obligation to make payments from any other sources. The general fund of the City is not liable for the payment of the Series 2015 Bonds or the premium, if any, or interest thereon, and neither the full faith and credit nor the taxing power of the City is pledged for the payment of the Series 2015 Bonds or the premium, if any, of the interest thereon.

The security for the Bonds, the events that constitute Events of Default thereunder and the remedies therefor are set forth in the General Resolution and the Twenty-Eighth

Supplemental Resolution, and Holders of the Series 2015 Bonds are referred to the General Resolution and the Twenty-Eighth Supplemental Resolution for description of those terms.

2. Interest Rate. This Bond shall bear interest until its Maturity Date or earlier redemption (if applicable) at the rate shown on the face of this Bond. Interest on overdue principal and, to the extent lawful, all overdue interest will be payable at the stated interest rate on this Bond on the day before the default occurred.

Interest on this Bond shall be calculated on the basis of a year of 360 days and twelve 30-day months.

3. Interest Payment and Record Dates. Interest will be due and payable on this Bond on December 1, 2015, and each June 1 and December 1 [insert alternative dates if Attachment 1 so provides] thereafter until maturity or earlier redemption and will be paid to the party who is the owner hereof on the Record Date for such payment. The Record Date for a June 1 payment is the close of business on the preceding May 15, and the Record Date for a December 1 payment is the close of business on the preceding November 15, whether or not such day is a Business Day. [insert alternative dates if Attachment 1 so provides]

4. Method of Payment. Holders must surrender Bonds to the Treasurer of the City to collect principal except that with respect to Bonds which are Book-Entry Bonds (as defined in the Twenty-Eighth Supplemental Resolution), the City may make other agreements for payment of principal. Interest will be paid to each party who is, as of the Record Date, the registered owner of Bonds. If this Bond is not a Book-Entry Bond, as defined in the Twenty-Eighth Supplemental Resolution, interest hereon will be paid by check mailed to the Holder's registered address, and, if this Bond is a Book-Entry Bond, interest will be paid as provided in Section 3.06 of the Twenty-Eighth Supplemental Resolution. Principal, interest and premium, if any, will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts. If any payment on the Bonds is due on a non-Business Day, it will be made on the next Business Day, and no additional interest will accrue as a result.

5. Optional Redemption. [Insert Optional Redemption Terms from Attachment 1 related to such Series]. [The Series 2015 Bonds called for optional redemption shall be designated by the City, or, absent such designation, shall be redeemed pro rata among maturities and by lot within any one maturity.]

6. Mandatory Redemption of Series 2015 Bonds. [To be conformed to Mandatory Redemption Terms from Attachment 1 related such Series]. The Series 2015 Bonds with a stated Maturity Date of [June 1,] will be subject to mandatory sinking fund redemption on [June 1, 20__] and each June 1 thereafter in accordance with the terms of a mandatory sinking fund redemption schedule set forth in the Twenty-Eighth Supplemental Resolution. The Series 2015 Bonds with a stated Maturity Date of [June 1, 20__] will be subject to mandatory sinking fund redemption on [June 1, 20__] and each June 1 thereafter to and including, [June 1, 20__], in accordance with the terms of the following mandatory sinking fund redemption schedule:

Mandatory Sinking Fund
Payment Date (June 1)

Mandatory Sinking Fund
Payment Amount

7. Notice of Redemption. At least 20 days before each date of redemption, the City will give notice to each owner of a Series 2015 Bond to be redeemed at the owner's registered address. Failure to give any required notice of redemption will not affect the validity of the call for redemption of any Series 2015 Bond in respect of which no failure occurs. Any notice sent as provided in the Twenty-Eighth Supplemental Resolution will be conclusively presumed to have been given whether or not actually received by the addressee. Any redemption notice, other than notice of redemption from mandatory sinking fund payments, may be rescinded by written notice given by the City. Upon such rescission, the City shall give notice of such rescission in the same manner (i.e., by Mail or by telecopy or other electronic means of communication), and to the same persons, as notice of such redemption was given. Any optional redemption of the Series 2015 Bonds and notice thereof shall be rescinded and cancelled if for any reason on the date fixed for redemption moneys are not available and held in trust for such purpose in an amount sufficient to pay in full on such date the principal of, interest, and any premium due on such Series 2015 Bonds called for redemption

8. Effect of Notice of Redemption. When notice of redemption is given, Series 2015 Bonds called for redemption become due and payable on the redemption date at the applicable redemption price; in such case, when funds are held in trust for payment of the redemption price and such amounts are sufficient to pay the redemption price, interest on the Series 2015 Bonds to be redeemed will cease to accrue from and after the redemption date.

9. Denominations; Transfer; Exchange. The Series 2015 Bonds are available in denominations of \$5,000 and integral multiples of \$5,000. A Bondholder may transfer or exchange Series 2015 Bonds in accordance with the General Resolution and the Twenty-Eighth Supplemental Resolution. The City may require a Bondholder, among other things, to furnish appropriate endorsements and transfer documents and to pay any required taxes and fees associated therewith. The City need not transfer or exchange any Series 2015 Bond for the period beginning 15 days before mailing a notice of redemption of such Series 2015 Bond and ending on the date the notice of redemption is mailed nor transfer or exchange any Series 2015 Bond which has been selected for redemption.

10. Persons Deemed Owners. The registered owner of this Bond shall be treated as the owner of it for all purposes.

11. Discharge Before Redemption or Maturity. If the City at any time irrevocably sets aside money or Government Obligations as described in the General Resolution sufficient, together with the earnings thereon, to pay at redemption or maturity, the principal of, premium, if any, and interest on the outstanding Bonds, and if the City also pays all other sums then payable by the City under the General Resolution, the General Resolution will be discharged. After discharge Bondholders must look only to the money and securities set aside for payment. If the City at any time irrevocably sets aside money or Government Obligations as described in the General Resolution sufficient to pay at redemption or maturity principal of, premium, if any, and

interest on all or any portion of the outstanding Series 2015 Bonds, such Bonds, with respect to which the money or securities were set aside, shall no longer be deemed to be outstanding and shall no longer be secured by the General Resolution except to the extent of the moneys and securities set aside therefor.

12. Amendment; Supplement; Waiver. The General Resolution, the Twenty-Eighth Supplemental Resolution and the Series 2015 Bonds may be amended or supplemented, and any past default or compliance with any provision may be waived, as provided in the General Resolution. Any consent given by the owner of this Bond to any such action shall be irrevocable and shall bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond.

By purchase of this Series 2015 Bond, the owner hereby consents to the provisions of the proposed form of Supplemental Resolution to the General Resolution attached hereto as Attachment 2.

13. Defaults and Remedies. The General Resolution provides that the occurrences of certain events constitute Events of Default. If an Event of Default occurs and is continuing, the Principal of this Bond may be declared to be due and payable immediately on the terms set forth in the General Resolution. Any such acceleration may be waived as provided in the General Resolution. Bondholders may not enforce the General Resolution or the Bonds except as provided in the General Resolution, and, if credit enhancement has been provided for all or a portion of the Bonds issued under the General Resolution, the provider or providers of such credit enhancement may be able to direct the exercise of remedies.

14. Authentication. This Bond shall not be valid until the Treasurer [or insert other Authenticating Agent], as Authenticating Agent, signs the certificate of authentication on the first page of this Bond.

15. Abbreviations. Customary abbreviations may be used in the name of a Bondholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and UGMA (= Uniform Gifts to Minors Act).

[The form of assignment on the Series 2015 Bonds shall be substantially as follows:]

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please print or type, write Name and Address, including Zip Code,
and Federal Taxpayer Identification or Social Security Number of Assignee)

this Bond and all rights hereunder, and hereby irrevocably constitutes and appoints

Agent to transfer this Bond on the books of the City, with full power of substitution in the premises.

Dated: _____, 20__

Signed by:

NOTICE: The signature to this assignment must correspond with the name as it appears on the face of this Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed by:

NOTICE: Signature must be guaranteed by a member firm of the New York Stock exchange or a commercial bank or trust company.

ARTICLE IV

REDEMPTION

Section 4.01. Notices to Bondholders. Prior to the redemption of any Series 2015 Bonds, the City shall give notice to the registered owners of the Series 2015 Bonds to be redeemed as provided in Section 4.03 of the General Resolution. Such notice shall be given by Mail or telecopy or other electronic means of communication, at least 20 days and not more than 60 days before the redemption date, and shall be given to each registered owner of a Series 2015 Bond to be redeemed.

In addition to the notice required by Section 4.03 of the General Resolution, if, at any time, the Series 2015 Bonds are no longer Book-Entry Bonds, then, upon any redemption, further notice shall be given by the City as set out below, but no defect in any such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption given hereunder shall contain the information required by Section 4.03 of the General Resolution plus (i) the CUSIP numbers of all Series 2015 Bonds, or portions thereof being redeemed; (ii) the date of original issuance of the Series 2015 Bonds; (iii) the rate of interest borne by the Series 2015 Bonds being redeemed; (iv) the maturity date of the Series 2015 Bonds being redeemed, (v) the redemption price or, if applicable, a description of the mechanism or method for determining the redemption price; and (vi) any other descriptive information to identify accurately the Series 2015 Bonds or portions thereof being redeemed.

Each further notice of redemption shall be sent at least 20 days before the redemption date by telecopy, registered or certified mail or overnight delivery service to:

The Depository Trust Company
55 Water Street
New York, NY 10041

and to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System at <http://emma.msrb.org/>.

Any notice given pursuant to this Section 4.01 may be conditional, other than notice of redemption from mandatory sinking fund payments pursuant to Section 4.03, and may be rescinded by written notice given by the City. Upon such rescission, the City shall give notice of such rescission in the same manner (i.e., by Mail or by telecopy or other electronic means of communication), and to the same persons, as notice of such redemption was given pursuant to this Section. Any optional redemption of the Series 2015 Bonds and notice thereof shall be rescinded and cancelled if for any reason on the date fixed for redemption moneys are not available and held in trust for such purpose in an amount sufficient to pay in full on such date the principal of, interest, and any premium due on such Series 2015 Bonds called for redemption.

Section 4.02. Optional Redemption of the Series 2015 Bonds. The Series 2015 Bonds of any Series may be subject to optional redemption as set forth in the Attachment 1 related to such Series. The Series 2015 Bonds of any Series shall be subject to optional redemption not later than the tenth year following the date of issuance of such Series 2015 Bonds.

Section 4.03. Mandatory Sinking Fund Redemption of the Series 2015 Bonds. The Series 2015 Bonds of any Series shall be subject to mandatory sinking fund redemption as set forth in the Attachment 1 related to such Series.

On or before the forty-fifth day prior to any mandatory sinking fund redemption date, the City shall proceed to select for redemption (by lot in such manner as the City may determine), from all Series 2015 Bonds subject to such redemption, an aggregate principal amount of such Bonds equal to the amount for such year as set forth in the table in the Attachment 1 hereto related to such Series and shall call such Bonds or portions thereof in Authorized Denominations for redemption and shall give notice of such call. At the option of the City, the City may credit against any mandatory sinking fund redemption requirement, the Series 2015 Bonds, or portions thereof in Authorized Denominations of the stated maturity subject to such redemption which, prior to said date, have been purchased by the City or redeemed (otherwise than under the provisions of this Section 4.03) and canceled and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. Each such Series 2015 Bond or portion thereof so purchased or previously redeemed shall be credited by the City at one hundred percent (100%) of the principal amount thereof against the obligation of the City on such mandatory sinking fund redemption date.

Section 4.04. Payment of Series 2015 Bonds Called for Redemption. Upon surrender to the Treasurer, Series 2015 Bonds called for redemption shall be paid at the redemption price, including accrued and unpaid interest, if any, to the redemption date, provided that, with respect to Book-Entry Bonds, the City may make other arrangements for payment as provided in the Representation Letter.

Section 4.05. Selection of Series 2015 Bonds for Redemption; Series 2015 Bonds Redeemed in Part. Series 2015 Bonds which are subject to optional redemption will be selected among such maturities as the City may designate, or, absent such designation, shall be redeemed pro rata among maturities or as set forth in the Attachment 1 related to such Series. Series 2015 Bonds may be redeemed by lot within any one maturity, in a manner the City shall deem appropriate.

Upon surrender of a Series 2015 Bond to be redeemed, the Authorized City Representative acting as Authenticating Agent or other Authenticating Agent, if one has been appointed, will authenticate for the holder a new Series 2015 Bond or Bonds of the same Series and maturity equal in principal amount to the unredeemed portion of the Series 2015 Bond or Bonds surrendered.

ARTICLE V

APPLICATION OF PROCEEDS

Section 5.01. Application of Proceeds. The proceeds of the sale of any Series of Series 2015 Bonds (and any subseries thereof) received by the City shall be applied by the City for the following purposes and in such amounts and in such manner as set forth in the Attachment 1 relating to such Series:

(i) the amount needed to pay Costs of Issuance associated with the issuance of such Series of Series 2015 Bonds shall be transferred to the Escrow Agent to be disbursed to pay the Costs of Issuance;

(ii) the amount needed to defease or refund any Refunded Obligations shall be transferred to the Escrow Agent(s) and held under the terms of the Escrow Agreement(s) or, if so provided in the related Attachment 1, in the case of the Commercial Paper Notes, transferred to the Issuing and Paying Agent for the Commercial Paper Notes and deposited into the CP Debt Service Fund and held under the terms of the Subordinate General Resolution;

(iii) the amount of such proceeds designated to finance improvements to the System shall be deposited in the 2015 Construction Fund of the related Series;

(iv) the amount needed to cause the Reserve Fund to be funded at the Reserve Fund Requirement as a result of the issuance of such Series of Series 2015 Bonds shall be deposited in the Reserve Fund; and

(v) any accrued interest or other amounts specified (if any) in the related Attachment 1 shall be deposited into the applicable Debt Service Fund for the Series 2015 Bonds.

Any amounts may be held temporarily by the Escrow Agent for the purposes set forth in the General Resolution.

Notwithstanding the foregoing provisions of this Article V, the amount to be “transferred” to the Escrow Agent(s) may be paid directly by the Underwriters to such Escrow Agent(s) and, in such event, shall be deemed to have been received by the City and transferred to such Escrow Agent(s).

If, upon the issuance of the Series 2015 Bonds of any Series, amounts held in the Reserve Fund shall exceed the Reserve Fund Requirement, or amounts held in any other fund or account related to any Refunded Obligation are no longer needed for payment of such Refunded Obligation, any or all of such excess shall be transferred for application for the purpose of refunding the Refunded Obligations or for such other purpose consistent with the Tax Certificate, as set forth in Attachment 1 related to such Series.

ARTICLE VI

FUNDS

Section 6.01. Construction Fund. The City will, by ordinance, create one or more separate funds within the City Treasury, designated as the Wastewater System Revenue Bonds Construction Fund, Series 2015 (with such further designation, if applicable, as the City deems appropriate) to pay Project Costs (the “2015 Construction Fund [adding any further designation]”), and the City shall, on the date of issuance of the Series 2015 Bonds, deposit proceeds of the Series 2015 Bonds into the 2015 Construction Fund as set forth in Section 5.01(c) above. Amounts in the 2015 Construction Fund shall be used to pay Project Costs related to the System in accordance with the City’s wastewater system improvement program or to reimburse the City for amounts expended from other sources for such purposes; provided, that amounts in a 2015 Construction Fund shall not be used for systems, plants, works or undertakings for the distribution of electric energy for lighting, heating and power for public or private uses or the generation, production, transmission and distribution of gas for public or private uses. These restrictions, placed upon the use of amounts in the 2015 Construction Fund shall not apply to systems, plants, works or undertakings which result in conversion of solid waste to energy and reusable materials.

The City may use amounts in the 2015 Construction Fund to pay Project Costs either by payment directly from the 2015 Construction Fund or by payment to the General Wastewater System Revenue Bonds Construction Fund for use for the same purposes. A separate account within the 2015 Construction Fund may be established for any Series of Series 2015 Bonds if provided in Attachment 1 related to such Series.

Section 6.02. Debt Service Fund. The City will, by ordinance, create one or more separate funds for the Series 2015 Bonds, with such further designations identifying the Series (which may be one or more Series of the Series 2015 Bonds) to which such fund shall relate, as the City deems appropriate, within the City Treasury designated as the “Wastewater System Revenue Bonds Debt Service Fund, Series 2015-[insert Series/subseries designation]” (collectively, the “2015 Debt Service Fund”), which shall each be a Debt Service Fund as provided in the General Resolution for the respective Series of Series 2015 Bonds. Amounts in the 2015 Debt Service Fund shall be used to pay principal of, and interest and any premium on, the Series 2015 Bonds as the same become due and payable.

Section 6.03. Costs of Issuance Account. There is hereby authorized to be created under any one or more Escrow Agreements, a Costs of Issuance Account. Amounts in the Costs of Issuance Account shall be used to pay Costs of Issuance of the related Series of Series 2015 Bonds. Any monies remaining in the Cost of Issuance Account after payment of all Costs of Issuance shall be transferred to the 2015 Debt Service Fund.

ARTICLE VII

TAX COVENANTS

Section 7.01. Rebate Funds. The City hereby agrees that it will deliver and abide by the Tax Certificate for the Series 2015 Bonds and that it will by ordinance create one or more separate funds for the Series 2015 Bonds designated as a “Wastewater System Revenue Bonds Rebate Fund” (collectively, the “2015 Rebate Fund”), which funds will be held by the City and will be funded, if so required, under the Tax Certificate of any Series, and amounts in such 2015 Rebate Fund shall be held and disbursed in accordance with the ordinance creating such funds and with the applicable Tax Certificate . Any fund created pursuant to this Section 7.01 may be combined with any other rebate fund or funds of the City, as the City deems appropriate.

Section 7.02. Tax Compliance.

(a) The City shall comply with those covenants and agreements set forth in the Tax Certificate of any Series and the City Administrative Officer is authorized and directed to execute such Tax Certificate.

(b) The City shall not use or permit the use of any proceeds of Series 2015 Bonds or any other funds of the City held under this Twenty-Eighth Supplemental Resolution or the General Resolution, or in the General Wastewater System Construction Fund, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the City, and shall not take or permit to be taken any other action or actions, which would cause any Series 2015 Bond which is Tax-Exempt to be “federally guaranteed” within the meaning of Section 149(b) of the Code or an “arbitrage bond” within the meaning of Section 148 of the Code and applicable regulations promulgated from time to time thereunder.

Section 7.03. Additional Actions. The City shall at all times do and perform all acts and things permitted by law, the General Resolution and this Twenty-Eighth Supplemental Resolution which are necessary or desirable in order to assure that interest paid on the Series 2015 Bonds will be excluded from gross income of the recipient thereof for federal income tax purposes and shall take no action that would result in such interest being included in gross income for federal income tax purposes.

ARTICLE VIII

[RESERVED]

ARTICLE IX

AGENTS

Section 9.01. Appointment of Agents. The City Administrative Officer is authorized to appoint one or more banks, trust companies or financial institutions meeting the City’s capitalization requirements as Escrow Agent for the purpose of accepting, holding, investing and applying funds to be used to refund or refund the Refunded Obligations and to pay the Costs of Issuance related to any one or more Series of Series 2015 Bonds. The City may from time to

time appoint a bank, trust company or other financial institution to serve as Paying Agent, Registrar or Authenticating Agent in place of or in addition to the City with respect to any Series of Series 2015 Bonds.

Section 9.02. Resignation; Removal. Any entity at any time serving as Paying Agent, Authenticating Agent and/or Registrar may resign any one or more of such positions in accordance with the terms of its agreement with the City or may be removed by the City in accordance with the terms of such agreement. The Escrow Agent may resign or be removed as provided in the Escrow Agreement.

Section 9.03. Replacement. If the Paying Agent, Authenticating Agent or Registrar resigns or is removed, the City may appoint a new Paying Agent, Authenticating Agent or Registrar or may provide that such functions as were provided by the Paying Agent, Authenticating Agent and/or Registrar be undertaken directly by the City. A successor Escrow Agent can be appointed by the City only as provided in the Escrow Agreement.

ARTICLE X

MISCELLANEOUS APPROVALS AND AUTHORIZATIONS

Section 10.01. Findings Related to Negotiated Sale of the Series 2015 Bonds and Selection of Professionals. Pursuant to Section 371(e)(10) of the Charter, the Council hereby finds that due to current market conditions, the use of sealed competitive bidding to sell the Series 2015 Bonds would be undesirable and impractical and it is in the best financial interests of the City to sell the Series 2015 Bonds through a negotiated sale with the Underwriters. Pursuant to Section 371(e)(2) of the Charter, the Council hereby finds that due to the technical expertise required for the performance of the professional and technical services necessary for the sale and issuance of the Series 2015 Bonds, which services are of a temporary and occasional character, the use of sealed competitive bidding for the selection of Bond Counsel, Disclosure Counsel, Escrow Agent or financial advisors is not practicable or advantageous to the City.

Section 10.02. Approval of Escrow Agreements. The City Administrative Officer is hereby authorized to execute and enter into one or more Escrow Agreements with an Escrow Agent in form and substance acceptable to Bond Counsel and the City Attorney with respect to any one or more Series of Series 2015 Bonds, with such changes as such City Administrative Officer, upon the advice of counsel, deems necessary and appropriate. The signature of the City Administrative Officer shall be sufficient to bind the City and cause the Escrow Agreement(s) to be a valid and binding obligation of the City.

Section 10.03. Approval of Bond Purchase Agreement. The Bond Purchase Agreement in substantially the form before this Council is hereby approved. The City Administrative Officer is hereby authorized to execute and enter into a Bond Purchase Agreement with one or more of the Underwriters with respect to any one or more Series of Series 2015 Bonds, with such changes as said City Administrative Officer, upon the advice of counsel, deems necessary and appropriate. The signature of any City Administrative Officer shall be sufficient to bind the City and cause the Bond Purchase Agreement to be a valid and binding obligation of the City. The

Underwriters' discount under the Bond Purchase Agreement shall not exceed 0.50% of the aggregate principal amount of the Series 2015 Bonds purchased thereunder.

Section 10.04. Official Statement. The form of the preliminary Official Statement relating to the Series 2015 Bonds (the "Preliminary Official Statement") submitted to this meeting with such changes as may be approved by the City Administrative Officer is hereby approved for use in connection with the public offering of the Series 2015 Bonds. Upon approval of such additions and changes, whether material or otherwise, by the City Administrative Officer, the Preliminary Official Statement for the Series 2015 Bonds shall be deemed final as of its date, as evidenced by a certificate to such effect, except for the omission of certain information as provided in and pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. The City Administrative Officer, for and on behalf of the City, is hereby authorized to execute a final official statement for one or more Series of Series 2015 Bonds (the "Official Statement"), with such additions and changes therein, whether material or otherwise, as he or she may require or approve, such approval to be conclusively evidenced by execution and delivery thereof. The distribution of the Official Statement in connection with the public offering of the Series 2015 Bonds is hereby approved.

Section 10.05. Execution of Documents; Additional Actions. The City Administrative Officer is hereby authorized to purchase or subscribe from time to time for the government obligations to be deposited in escrow in connection with the refundings contemplated by this Twenty-Eighth Supplemental Resolution, to authorize the Escrow Agent(s) to so subscribe, to enter into cash flow agreements, debt service agreements, forward supply contracts and other similar contractual obligations necessary or appropriate to effectuate the transactions contemplated by this Twenty-Eighth Supplemental Resolution, to execute any documents necessary to procure municipal bond insurance (if the City Administrative Officer, upon the advice of the City's financial advisor, determines that such municipal bond insurance is cost effective) and to execute such certificates (including the Tax Certificate), agreements, forms and other closing documents, including those relating to the tax-exempt status of the Series 2015 Bonds and those relating to the securities depository, and such other instruments as are necessary or appropriate to consummate the transactions contemplated by this Twenty-Eighth Supplemental Resolution and to carry out the intent hereof. The City Administrative Officer is authorized and directed to do any and all things and to take any and all further actions to carry out the intent hereof. If the City procures municipal bond insurance for any Series of Series 2015 Bonds, any terms and conditions of such insurance may be included in the Attachment 1 for the related Series, and such terms and conditions shall become a part of this Twenty-Eighth Supplemental Resolution upon execution of such Attachment 1 by the City Administrative Officer.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Notices.

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this Twenty-Eighth Supplemental Resolution or the Series 2015 Bonds shall be in writing except as expressly provided otherwise in this Twenty-Eighth Supplemental Resolution or the Series 2015 Bonds.

(b) Any notice or other communication, otherwise specified, shall be sufficiently given and deemed given when delivered by hand or by Mail or by such other means as is specifically provided therefor, and addressed as provided in the General Resolution.

(c) Any addressee may designate additional or different addresses for purposes of this Section.

(d) If any of S&P, Fitch and/or Kroll shall have provided a credit rating for any of the Series 2015 Bonds at the request of the City, the City shall give written notice to each of S&P, Fitch and/or Kroll then providing a credit rating on any of the Series 2015 Bonds if at any time (i) payment of principal and interest on the Series 2015 Bonds is accelerated pursuant to the provisions of Section 9.02(a) of the General Resolution or (ii) there is any amendment to the General Resolution or this Twenty-Eighth Supplemental Resolution. Notice, in the case of an event referred to in clause (ii) hereof, shall include a copy of any such amendment. Notices sent to notices sent to S&P shall be addressed to Standard & Poor's, 55 Water Street, New York, New York 10041; notices sent to Fitch shall be addressed to Fitch at Fitch, Inc., One State Street Plaza, New York, New York 10004; notices sent to Kroll shall be addressed to Kroll Bond Rating Agency, 845 Third Avenue, New York, New York 10022, or to such other address as S&P, Fitch or Kroll, respectively, shall supply to the City.

Section 11.02. Limitation of Rights. Nothing expressed or implied in this Twenty-Eighth Supplemental Resolution or the Series 2015 Bonds shall give any person other than the City and the Bondholders any right, remedy or claim under or with respect to this Twenty-Eighth Supplemental Resolution.

Section 11.03. Supplemental Resolution a Contract. This Twenty-Eighth Supplemental Resolution (excluding Article X hereof), together with the General Resolution, is adopted by the City for the benefit of the Bondholders and together they constitute a contract with the Bondholders.

Section 11.04. Severability. If any provision of this Twenty-Eighth Supplemental Resolution shall be determined to be unenforceable, that shall not affect any other provision of this Twenty-Eighth Supplemental Resolution.

Section 11.05. Payments due on Non-Business Days. If a payment date is not a Business Day, then payment may be made on the next Business Day, and no interest shall accrue for the intervening period.

Section 11.06. Governing Law. This Twenty-Eighth Supplemental Resolution shall be governed by and construed in accordance with the laws of the State.

Section 11.07. Captions. The captions in this Twenty-Eighth Supplemental Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Twenty-Eighth Supplemental Resolution.

Section 11.08. Continuing Disclosure. The City agrees that the City shall enter into a Continuing Disclosure Certificate in order to undertake the continuing disclosure obligations promulgated under Rule 15c2-12, as the same may be amended from time to time. The City hereby covenants and agrees that they will comply with and carry out all of their respective obligations under any such Continuing Disclosure Certificate for the Series 2015 Bonds. Notwithstanding any other provision of the General Resolution or this Twenty-Eighth Supplemental Resolution, failure of the City to comply with any such Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Beneficial Owner of the applicable Series 2015 Bonds covered by such Continuing Disclosure Certificate may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, as the case may be, to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any applicable Series 2015 Bonds covered by such Continuing Disclosure Certificate (including persons holding such applicable Series 2015 Bonds covered by such Continuing Disclosure Certificate through nominees, depositories or other intermediaries).

Section 11.09. Municipal Bond Insurance. If the City obtains a policy of municipal bond insurance with respect to any Series of Series 2015 Bonds, the Attachment 1 for such Series may contain such provisions relating to the payment of the bonds so insured and to the rights of the bond insurer as required by the bond insurer and approved by the City Administrative Office, as conclusively evidenced by the execution of such Attachment 1.

Section 11.10. Ratification of Prior Actions. All actions heretofore taken by any officers, employees, agents or directors of the City, with respect to the issuance, delivery or sale of the Series 2015 Bonds, or in connection with or related to any of the agreements or documents referenced herein or to the refunding of the Refunded Obligations are hereby approved, confirmed and ratified.

Section 11.11. Effective Date. This Twenty-Eighth Supplemental Resolution shall take effect from and upon its adoption.

PASSED AND ADOPTED this 22nd day of April, 2015, by the following vote:

EXHIBIT A

FORM OF ATTACHMENT 1

**WASTEWATER SYSTEM REVENUE BONDS,
[REFUNDING] SERIES 2015 —
[Add Series designation]**

Maturity Schedule

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>CUSIP*</u>
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* CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The City is not responsible for the selection or correctness of the CUSIP numbers set forth herein.

[insert Dated Dates and Record Dates, if required]

Mandatory Sinking Fund Payment Schedule

Mandatory Sinking Fund
Payment Date
(June 1 [or other date])

Mandatory Sinking Fund Payment Amount

Optional Redemption Provisions

[To be inserted consistent with Section 4.02 of the Twenty-Eighth Supplemental Resolution]

Application of Series 2015 Bond Proceeds

The proceeds of the Series 2015 Senior Lien Bonds shall be applied as follows:

[To be inserted consistent with Section 5.01 of the Twenty-Eighth Supplemental Resolution]

I hereby certify that the provisions of this Attachment 1 are consistent with the Twenty-Eighth Supplemental Resolution and form a part thereof.

Dated: _____, 2015

CITY ADMINISTRATIVE OFFICER

By: _____
Assistant City Administrative Officer

ATTACHMENT 1

WASTEWATER SYSTEM REVENUE BONDS

Series 2015-A Bonds Maturity Schedule

<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(Base: _____)</u>
--------------------------------	-----------------------------------	--------------------------------	--------------	--------------------------------------

\$ _____ % Term Bonds due June 1, 20__ Yield: _____ % CUSIP No. _____

Series 2015-B Bonds Maturity Schedule

<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(Base: _____)</u>
--------------------------------	-----------------------------------	--------------------------------	--------------	--------------------------------------

\$ _____ % Term Bonds due June 1, 20__ Yield: _____ % CUSIP No. _____

Series 2015-C Bonds Maturity Schedule

<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(Base: _____)</u>
--------------------------------	-----------------------------------	--------------------------------	--------------	--------------------------------------

\$ _____ % Term Bonds due June 1, 20__ Yield: _____ % CUSIP No. _____

Series 2015-D Bonds Maturity Schedule

<u>Year</u> (<u>June 1</u>)	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> (<u>Base: _____</u>)
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\$ _____ % Term Bonds due June 1, 20__ Yield: _____ % CUSIP No. _____

Series 2015-A Bonds Redemption Provisions

Optional Redemption. The Series 2015-A Bonds maturing before June 1, 20__ are not subject to redemption before their stated maturities. The Series 2015-A Bonds maturing on or after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, pro rata among maturities and by lot within any one maturity if less than all of the Series 2015-A Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption price equal to the principal amount of the Series 2015-A Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2015-A Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter, at a redemption price equal to the principal being redeemed, without premium, from mandatory sinking account payments which have been deposited in the debt service fund created for the Series 2015-A Bonds, in the principal amounts set forth in the table below (subject to adjustment in the event of an optional redemption of the Series 2015-A Bonds).

Mandatory Sinking Fund Payment Schedule

<u>Mandatory Sinking</u> <u>Fund Payment Date (June 1)</u>	<u>Mandatory Sinking Fund Payment Amount</u>
---	--

\$

(maturity)

Selection of Series 2015-A Bonds for Redemption. The Series 2015-A Bonds that are subject to optional redemption will be selected among such maturities as the City may designate, or, absent such designation, shall be redeemed pro rata among maturities. The Series 2015-A Bonds shall be redeemed by lot within any maturity, in any manner the City shall deem appropriate.

Series 2015-B Bonds Redemption Provisions

Optional Redemption. The Series 2015-B Bonds maturing before June 1, 20__ are not subject to redemption before their stated maturities. The Series 2015-B Bonds maturing on or after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, pro rata among maturities and by lot within any one maturity if less than all of the Series 2015-B Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption price equal to the principal amount of the Series 2015-B Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2015-B Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter, at a redemption price equal to the principal being redeemed, without premium, from mandatory sinking account payments which have been deposited in the debt service fund created for the Series 2015-B Bonds, in the principal amounts set forth in the table below (subject to adjustment in the event of an optional redemption of the Series 2015-B Bonds).

Mandatory Sinking Fund Payment Schedule

<u>Mandatory Sinking Fund Payment Date (June 1)</u>	<u>Mandatory Sinking Fund Payment Amount</u>
(maturity)	\$

Selection of Series 2015-B Bonds for Redemption. The Series 2015-B Bonds that are subject to optional redemption will be selected among such maturities as the City may designate, or, absent such designation, shall be redeemed pro rata among maturities. The Series 2015-B Bonds shall be redeemed by lot within any maturity, in any manner the City shall deem appropriate.

Series 2015-C Bonds Redemption Provisions

Optional Redemption. The Series 2015-C Bonds maturing before June 1, 20__ are not subject to redemption before their stated maturities. The Series 2015-C Bonds maturing on or after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, pro rata among maturities and by lot within any one maturity if less than all of the Series 2015-C Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption

price equal to the principal amount of the Series 2015-C Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2015-C Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter, at a redemption price equal to the principal being redeemed, without premium, from mandatory sinking account payments which have been deposited in the debt service fund created for the Series 2015-C Bonds, in the principal amounts set forth in the table below (subject to adjustment in the event of an optional redemption of the Series 2015-C Bonds).

Mandatory Sinking Fund Payment Schedule

<u>Mandatory Sinking Fund Payment Date (June 1)</u>	<u>Mandatory Sinking Fund Payment Amount</u>
(maturity)	\$

Selection of Series 2015-C Bonds for Redemption. The Series 2015-C Bonds that are subject to optional redemption will be selected among such maturities as the City may designate, or, absent such designation, shall be redeemed pro rata among maturities. The Series 2015-C Bonds shall be redeemed by lot within any maturity, in any manner the City shall deem appropriate.

Series 2015-D Bonds Redemption Provisions

Optional Redemption. The Series 2015-D Bonds maturing before June 1, 20__ are not subject to redemption before their stated maturities. The Series 2015-D Bonds maturing on or after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, pro rata among maturities and by lot within any one maturity if less than all of the Series 2015-D Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption price equal to the principal amount of the Series 2015-D Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2015-D Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter, at a redemption price equal to the principal being redeemed, without premium, from mandatory sinking account payments which have been deposited in the debt service fund created for the Series 2015-D Bonds, in the principal amounts set forth in the table below (subject to adjustment in the event of an optional redemption of the Series 2015-D Bonds).

Mandatory Sinking Fund Payment Schedule

<u>Mandatory Sinking Fund Payment Date (June 1)</u>	<u>Mandatory Sinking Fund Payment Amount</u>
---	--

\$

(maturity)

Selection of Series 2015-D Bonds for Redemption. The Series 2015-D Bonds that are subject to optional redemption will be selected among such maturities as the City may designate, or, absent such designation, shall be redeemed pro rata among maturities. The Series 2015-D Bonds shall be redeemed by lot within any maturity, in any manner the City shall deem appropriate.

Application of Series 2015 Bond Proceeds

(1) The proceeds of the Series 2015-A Bonds in the amount of \$_____ (including the good faith deposit received from the Underwriters and comprised of the par amount of the Series 2015-A Bonds of \$_____, plus an original issue premium of \$_____, less the Underwriters' discount of \$_____) shall be transferred and deposited as follows:

(a) the sum of \$_____ shall be transferred to the City for deposit into the 2015 Construction Fund; and

(b) the sum of \$_____ shall be transferred to the City for deposit into the Reserve Fund.

(2) The proceeds of the Series 2015-B Bonds in the amount of \$_____ (including the good faith deposit received from the Underwriters and comprised of the par amount of the Series 2015-B Bonds of \$_____, plus an original issue premium of \$_____, less the Underwriters' discount of \$_____) shall be transferred and deposited as follows:

(a) the sum of \$_____ shall be transferred to the City for deposit into the Reserve Fund;

(b) the sum of \$_____, together with \$_____ from amounts on deposit in the Reserve Fund for the City's Wastewater System "Revenue Bonds, Series 2005-A (the "Series 2005-A Refunded Bonds"), shall be transferred to U.S. Bank National Association, as escrow agent for the redemption of the Series 2005-A Refunded Bonds pursuant to the terms of the Escrow Agreement (2005-A Refunding), dated as of May 1, 2015 (the "Series 2005-A Bonds Escrow Agreement"), by and between the City and the Escrow Agent; and

(c) the sum of \$ _____ shall be transferred to the Escrow Agent to pay the Costs of Issuance associated with the Series 2015-B Bonds pursuant to the terms of the Series 2005-A Bonds Escrow Agreement.

(3) The proceeds of the Series 2015-C Bonds in the amount of \$ _____ (including the good faith deposit received from the Underwriters and comprised of the par amount of the Series 2015-C Bonds of \$ _____, plus an original issue premium of \$ _____, less the Underwriters' discount of \$ _____) shall be transferred and deposited as follows:

(a) the sum of \$ _____ shall be transferred to U.S. Bank National Association, as paying agent for the CP Notes for deposit into the CP Debt Service Fund for payment of the principal amount of CP Notes as such amounts become due; and

(b) the sum of \$ _____ shall be transferred to the City for deposit into the Reserve Fund.

(4) The proceeds of the Series 2015-D Bonds in the amount of \$ _____ (including the good faith deposit received from the Underwriters and comprised of the par amount of the Series 2015-D Bonds of \$ _____, plus an original issue premium of \$ _____, less the Underwriters' discount of \$ _____) shall be transferred and deposited as follows:

(a) the sum of \$ _____ shall be transferred to the City for deposit into the Reserve Fund established with respect to the Series 2015-D Bonds;

(b) the sum of \$ _____, together with \$ _____ from amounts on deposit in the Reserve Fund for the City's (i) [Wastewater System Revenue Bonds, Refunding Series 2009-A] and (ii) [Wastewater System Subordinate Revenue Bonds, Series 2010-A] to be refunded (collectively, the "Refunded Bonds"), shall be transferred to U.S. Bank National Association, as escrow agent to defease the Refunded Bonds and to pay their respective redemption prices upon their redemption pursuant to the terms of the Escrow Agreement (2009-A and 2010-A Refundings), dated as of June 1, 2015 (the "Series 2009-A and Series 2010-A Bonds Escrow Agreement"), by and between the City and the escrow agent; and

(c) the sum of \$ _____ shall be transferred to the escrow agent to pay the Costs of Issuance associated with the Series 2015-D Bonds pursuant to the terms of the Series 2009-A and Series 2010-A Bonds Escrow Agreement.

I hereby certify that the provisions of this Attachment 1 are consistent with the Twenty-Eighth Supplemental Resolution and form a part thereof.

Dated: _____, 2015

CITY ADMINISTRATIVE OFFICER

By: _____
Assistant City Administrative Officer

ATTACHMENT 2

Proposed Supplemental Resolution

[To be considered for adoption (i) not less than 2 weeks after notice of proposed adoption given to Bondholders and Insurers (if any) and (ii) following receipt of (a) required consents and (b) opinion of bond counsel per Section 11.03 of General Resolution]

Attachment 2

THE COUNCIL OF THE CITY OF LOS ANGELES

[] SUPPLEMENTAL RESOLUTION
Adopted by the Council of the City
_____, 20[]

SUPPLEMENTING THE
WASTEWATER SYSTEM REVENUE BONDS
GENERAL RESOLUTION

Which Was
Adopted by the Council of the City
November 10, 1987

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[] **SUPPLEMENTAL RESOLUTION**

Providing for

Amendments relating to Sections 1.01, 2.01, 5.02, 5.03 and 5.05
of the Wastewater System Revenue Bonds General Resolution

WHEREAS, the Council (the “Council”) of the City of Los Angeles (the “City”) on November 10, 1987 adopted a resolution designated as the “WASTEWATER SYSTEM REVENUE BONDS GENERAL RESOLUTION,” as supplemented by supplemental resolutions thereto (collectively, the “General Resolution”), which sets forth the basic terms under which the City may issue wastewater system revenue bonds and which provides for a pledge of Revenues (as defined in the General Resolution) to secure all Bonds (as defined in the General Resolution) issued thereunder; and

WHEREAS, Section 11.03 of the General Resolution permits the City by supplemental resolution to amend and supplement the General Resolution and any Supplemental Resolution thereto, subject to consent by any Insurers and the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding and provided that certain other conditions set forth in Section 11.03 of the General Resolution have been satisfied; and

WHEREAS, the City has, not less than two weeks prior to the date of adoption of this [] Supplemental Resolution (this “[] Supplemental Resolution”), provided notice of the proposed adoption of this [] Supplemental Resolution to all Bondholders and to any Insurers in accordance with the provisions of Section 11.03 of the General Resolution; and

WHEREAS, the City has, prior to the adoption of this [] Supplemental Resolution, obtained the requisite consent and approval of any Insurers and the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds; and

WHEREAS, all remaining conditions of Article XI of the General Resolution required to be satisfied prior to the adoption of this [] Supplemental Resolution have now been satisfied as evidenced by the delivery of the approving opinion of Bond Counsel pursuant to Section 11.03(d) of the General Resolution; and

WHEREAS, the City now proposes to adopt this [] Supplemental Resolution for the purpose of amending certain provisions of the General Resolution as herein provided;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City, as follows:

ARTICLE I

AUTHORITY AND DEFINITIONS

Section 1.01. Authority. This [] Supplemental Resolution is amendatory of and supplemental to the General Resolution as heretofore amended and supplemented and is adopted by the Council of the City in accordance with Article XI of the General Resolution.

Section 1.02. Incorporation of Definitions in General Resolution. Except as provided by this [] Supplemental Resolution, all words, terms and phrases defined in the General Resolution shall have the same meanings in this [] Supplemental Resolution as ascribed to them in the General Resolution.

ARTICLE II

AMENDMENTS

Section 2.01. Amendment to Section 1.01; Additional Definitions. Section 1.01 of the General Resolution is hereby amended by adding the following definitions in alphabetical order:

“Future Bonds” shall mean all Bonds issued on and after the [] Supplemental Resolution becomes effective in accordance with Section 3.05 of the [] Supplemental Resolution.

“Participating Bonds” shall mean all Bonds Outstanding prior to the [] Supplemental Resolution becoming effective in accordance with Section 3.05 of the [] Supplemental Resolution and all Future Bonds deemed, or designated by the City as, Participating Bonds in accordance with the provisions of Section 5.05 of this General Resolution (as amended by the [] Supplemental Resolution).

“Participating Bonds Debt Service Reserve Fund” shall mean the Debt Service Reserve Fund established with respect to all Participating Bonds pursuant to the provisions of Section 5.02 of this General Resolution (as amended by the [] Supplemental Resolution).

“Series Debt Service Reserve Fund” shall mean each [Debt Service Reserve Fund] established with respect to one or more Series of Future Bonds that are not Participating Bonds pursuant to the provisions of Section 5.02 of this General Resolution (as amended by the [] Supplemental Resolution).

Section 2.02. Amendment to Section 1.01; Amendment of Existing Definitions. Section 1.01 of the General Resolution is hereby amended by amending and restating in their entirety the following definitions contained in Section 1.01 of the General Resolution:

“Reserve Fund” shall mean with respect to Participating Bonds, the Participating Bonds Debt Service Reserve Fund, and shall mean with respect to each Series of Future Bonds that are not Participating Bonds, the Series Debt Service Reserve

Fund established with respect to such Series of Future Bonds, if any, each as described in Section 5.02 and 5.05 of this General Resolution (as amended by the [] Supplemental Resolution).

“Reserve Fund Requirement” shall mean with respect to the Participating Bonds Debt Service Reserve Fund, an amount equal to the Maximum Annual Debt Service for all Participating Bonds with such modification in the assumptions therefor as are described in this definition, and shall mean with respect to a Series Debt Service Reserve Fund, the amount, if any specified as such with respect to such Series Debt Service Reserve Fund pursuant to the provisions of Section 5.05 of this General Resolution (as amended by the [] Supplemental Resolution). For purposes of determining the Reserve Fund Requirement with respect to the Reserve Fund for all Participating Bonds, the annual debt service with respect to any Variable Rate Indebtedness shall, upon the issuance of such Series of Participating Bonds, be calculated on the basis of the assumptions set forth in subsection (v) of the definition of Maximum Annual Debt Service, and the amount so determined shall not require adjustment thereafter except as appropriate to reflect reductions in the Outstanding principal amount of such Series. For purposes of the Reserve Fund Requirement with respect to the Reserve Fund for all Participating Bonds, the annual debt service requirements assumed at the time of issuance of a Series of Participating Bonds containing Balloon Indebtedness or Tender Indebtedness shall not with respect to such Series require subsequent increases. For avoidance of doubt, for purposes of the Reserve Fund Requirement with respect to the Reserve Fund for all Participating Bonds only, references to “Bonds” in the definition of Maximum Annual Debt Service and the assumptions therefor shall mean, and be limited to, only Participating Bonds.

Section 2.03. Amendment of Section 2.01; Pledge of Revenues and Funds. Section 2.01 of the General Resolution is hereby amended and restated in its entirety as follows:

Section 2.01. Pledge of Revenues and Funds. To secure the payment of all Bonds issued pursuant to the terms of this General Resolution, the City hereby pledges to the Owners of the Bonds, places a lien on and assigns to the Owners (1) the Revenues as defined in this General Resolution, including any additional sources of Revenues pledged by Supplemental Resolutions, (2) the Revenues held in the SCM Fund including the earnings on such Revenues and (3) all moneys and securities held in the Reserve Fund (except as hereinafter described), the Debt Service Fund (except as hereinafter described) and the Construction Funds. This pledge and lien shall be (except as hereinafter described) for the equal and proportionate benefit and security of all Bonds issued under the terms of this General Resolution, all of which (except as hereinafter described), regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction as to lien or otherwise of any Bond over any other Bonds. Notwithstanding the foregoing, (A) amounts in the Debt Service Fund which have been segregated for the payment of Bonds which have become due and payable or which have been called for redemption but not

presented for payment shall be held in trust solely as security for such specific Bonds and be used to pay only such Bonds and shall not be pledged as security for or be available to pay any other Bonds and (B) (i) amounts in the Participating Bonds Debt Service Reserve Fund shall be held in trust solely as security for Participating Bonds and be used to pay only such Participating Bonds and shall not be pledged as security for or be available to pay any Series of Future Bonds that are not Participating Bonds and (ii) amounts in any Series Debt Service Reserve Fund established for one or more Series of Future Bonds that are not Participating Bonds shall be held in trust solely as security for such Series of Future Bonds that are not Participating Bonds secured thereby and be used to pay only such Series of Future Bonds that are not Participating Bonds and shall not be pledged as security for or be available to pay any Participating Bonds or any other Series of Future Bonds which are not secured by such Series Debt Service Reserve Fund, and all references in this General Resolution to the "Reserve Fund" shall be so construed. The pledges and liens hereby granted shall remain effective for so long as any Bonds are Outstanding hereunder.

Section 2.04. Amendment to Section 5.02; Creation of Funds. Section 5.02 of the General Resolution is hereby amended by amending and restating the subparagraph numbered (2) under the first paragraph of such Section 5.02 in its entirety as follows:

(2) (A) A Debt Service Reserve Fund which shall secure all Participating Bonds and which shall be designated as the "Wastewater System Revenue Bonds Participating Bonds Debt Service Reserve Fund" (the "Participating Bonds Debt Service Reserve Fund") and (B) each such other Debt Service Reserve Fund as shall be determined by the City to be established in accordance with Section 5.05 to secure any one or more Series of Future Bonds that are not Participating Bonds and which shall be designated as a "Series Debt Service Reserve Fund" with such further designation of the applicable Series of Future Bonds secured thereby (which may include one or more Series as designated by the City) as shall be deemed necessary or appropriate (each, a "Series Debt Service Reserve Fund"), each of which Reserve Funds shall be held and used as provided in Section 5.05.

Section 2.05. Amendment to Section 5.02; Security of Funds. Section 5.02 of the General Resolution is hereby amended by amending and restating the last two paragraphs of such Section 5.02 in their entirety as follows:

After the delivery of the Initial Bonds and continuing as long as any Bonds remain Outstanding, the City agrees that it will deposit all Revenues (except the earnings on the Debt Service Fund and each Reserve Fund for which special provision is made in Article VII hereof), as collected, into the SCM Fund. All Revenues in the SCM Fund and all amounts held in or credited to the Debt Service Fund, each Reserve Fund or any Construction Fund shall be held by the City in trust and applied as provided in this Article V, and pending such application, such amounts shall be subject to a lien and charge in favor of the Holders of the Bonds issued and Outstanding under this General Resolution (except that with respect to the Participating Bonds Debt Service Reserve Fund,

such lien and charge shall only be in favor of the Holders of the Participating Bonds issued and Outstanding under this General Resolution, and with respect to each Series Debt Service Reserve Fund, such lien and charge shall only be favor of the Holders of the Series of Future Bonds for which such Series Debt Service Reserve Fund has been established (which may include one or more Series) as provided in the Supplemental Resolution relating to such Series of Future Bonds) all as provided in Article II of this General Resolution.

With respect to any of the funds required to be established hereunder, the City may, to accommodate its internal accounting and management systems, create one or more funds, all of which collectively constitute the fund described herein, all of which collectively shall be subject to the lien created hereby upon such fund and all of which collectively shall serve the purposes described herein for such fund; provided, however, that notwithstanding the foregoing, the Participating Bonds Debt Service Reserve Fund and each Series Debt Service Reserve Fund established in accordance with a Supplemental Resolution to secure one or more Series of Future Bonds that are not Participating Bonds shall be treated and administered as separate funds for these purposes and shall not be viewed collectively.

Section 2.06. Amendment to Section 5.03: Application of Revenues Deposited to the SCM Fund. Section 5.03 of the General Resolution is hereby amended by amending and restating the subparagraph numbered (2) under the first paragraph of such Section 5.03 in its entirety as follows:

(2) (A) to the credit of the Participating Bonds Debt Service Reserve Fund, the following amounts, if any: (i) if, as of the most recent valuation of the Participating Bonds Debt Service Reserve Fund, the value thereof was less than the Reserve Fund Requirement therefor and the amount of such deficiency has not previously been restored, then commencing with the first month of the first Fiscal Year following such valuation and continuing until such deficiency has been eliminated (which may be by subsequent valuation) one-twelfth (1/12) of the difference between the Reserve Fund Requirement for the Participating Bonds Debt Service Reserve Fund and the value of the Participating Bonds Debt Service Reserve Fund on such valuation date, plus (ii) if any amount has been withdrawn from the Participating Bonds Debt Service Reserve Fund during the preceding 12 months to prevent a default on the Bonds or to make a deposit into the Rebate Fund and the Participating Bonds Debt Service Reserve Fund has not subsequently been restored to the Reserve Fund Requirement therefor, an amount equal to one-twelfth (1/12) of the amount so withdrawn plus (iii) if any Participating Bonds have been issued during the preceding 12 months and, at the time of such issuance, the City did not deposit into the Participating Bonds Debt Service Reserve Fund the full amount necessary to increase the amount in the Participating Bonds Debt Service Reserve Fund to the Reserve Fund Requirement therefor and the amount of such deficiency has not previously been deposited into the Participating Bonds Debt Service Reserve Fund, an amount equal to one-twelfth (1/12) of the difference between the Reserve Fund Requirement upon the

issuance of such Series of Participating Bonds and the amount deposited into the Participating Bonds Debt Service Reserve Fund at the time of issuance; and (B) to the credit of each Series Debt Service Reserve Fund established for one or more Series of Future Bonds that are not Participating Bonds, the following amounts, if any: (i) if, as of the most recent valuation of any such Series Debt Service Reserve Fund, the value thereof was less than the Reserve Fund Requirement therefor and the amount of such deficiency has not previously been restored, then commencing with the first month of the first Fiscal Year following such valuation and continuing until such deficiency has been eliminated (which may be by subsequent valuation) one-twelfth (1/12) of the difference between the Reserve Fund Requirement for such Series Debt Service Reserve Fund and the value of such Series Debt Service Reserve Fund on such valuation date, plus (ii) if any amount has been withdrawn from any such Series Debt Service Reserve Fund during the preceding 12 months to prevent a default on the Bonds or to make a deposit into the Rebate Fund and such Series Debt Service Reserve Fund has not subsequently been restored to the Reserve Fund Requirement therefor, an amount equal to one-twelfth (1/12) of the amount so withdrawn plus (iii) if any Future Bonds that are not Participating Bonds have been issued during the preceding 12 months for which a Series Debt Service Reserve Fund has been established and, at the time of such issuance, the City did not deposit into any such Series Debt Service Reserve Fund the full amount necessary (if any) to increase the amount in any such Series Debt Service Reserve Fund to the Reserve Fund Requirement therefor and the amount of such deficiency has not previously been deposited into such Series Debt Service Reserve Fund, an amount equal to one-twelfth (1/12) of the difference between the Reserve Fund Requirement upon the issuance of such Series of Future Bonds that are not Participating Bonds and the amount deposited into the Series Debt Service Reserve Fund at the time of such issuance; provided that the transfers to the Participating Bonds Debt Service Reserve Fund and each Series Debt Service Reserve Fund shall be made to the Participating Bonds Debt Service Reserve Fund and each Series Debt Service Reserve Fund without preference or priority between the transfers made in accordance with clauses (A) and (B) of this subparagraph (2), and in the event of any insufficiency of such moneys, ratably based on the amount required to be deposited into each such fund, without any discrimination or preference.

Section 2.07. Amendment to Section 5.05; Reserve Funds. Section 5.05 of the General Resolution is hereby amended and restated in its entirety as follows:

Section 5.05. Participating Bonds Debt Service Reserve Fund and Series Debt Service Reserve Funds. The City may designate Future Bonds as Participating Bonds in the Supplemental Resolution authorizing such Series of Future Bonds. The City may, alternatively, provide for a separate Series Debt Service Reserve Fund for one or more Series of Future Bonds in the Supplemental Resolution authorizing such Series of Future Bonds. Each Series of Future Bonds shall constitute Participating Bonds unless the Supplemental Resolution authorizing such Series of Future Bonds provides that such Series of Future Bonds shall not be Participating Bonds. In the event that the City shall determine

that any Series of Future Bonds shall not be Participating Bonds, the Supplemental Resolution authorizing such Series of Future Bonds shall specify whether such Series of Future Bonds is to be secured by a Series Debt Service Reserve Fund, and if such Series of Future Bonds is to be secured by a Series Debt Service Reserve Fund, shall provide for the establishment of such Series Debt Service Reserve Fund in accordance with Section 5.02 of this General Resolution and shall establish the Reserve Fund Requirement for such Series Debt Service Reserve Fund.

Moneys held in the Participating Bonds Debt Service Reserve Fund shall be used for the purpose of paying principal of and interest on the Participating Bonds if on any principal or interest payment date for any Participating Bonds, the amounts in the Debt Service Fund available therefor are insufficient to pay in full the amount then due with respect to the Participating Bonds. Moneys held in the Participating Bonds Debt Service Reserve Fund may also be used to make any deposit required to be made to a Rebate Fund with respect to Participating Bonds if the City does not have other funds available from which such deposit can be made. At such time as a Series of Participating Bonds is to be paid in full or is deemed to be paid in full, if the amount in the Participating Bonds Debt Service Reserve Fund will, as a result thereof, exceed the Reserve Fund Requirement then applicable to such Participating Bonds Debt Service Reserve Fund, the excess may at such time be used to pay or provide for the payment of the Participating Bonds of such Series.

Moneys held in a Series Debt Service Reserve Fund for any one or more Series of Future Bonds that are not Participating Bonds shall be used for the purpose of paying principal of and interest on such Series of Future Bonds for which such Series Debt Service Reserve Fund was established if on any principal or interest payment date for any such Series of Future Bonds, the amounts in the Debt Service Fund available therefor are insufficient to pay in full the amount then due with respect to such Series of Future Bonds that are not Participating Bonds. Moneys held in a Series Debt Service Reserve Fund may also be used to make any deposit required to be made to a Rebate Fund with respect to such Series of Future Bonds for which such Series Debt Service Reserve Fund was established if the City does not have other funds available from which such deposit can be made. At such time as a Series of Future Bonds for which a Series Debt Service Reserve Fund was established is to be paid in full or is deemed to be paid in full, if the amount in such Series Debt Service Reserve Fund will, as a result thereof, exceed the Reserve Fund Requirement then applicable to such Series Debt Service Reserve Fund, the excess may at such time be used to pay or provide for the payment of the Future Bonds of the Series for which such Series Debt Service Reserve Fund was established.

The Treasurer shall annually, on or about January 15 of each year and at such other times as the City shall deem appropriate, value each investment held in a Reserve Fund on the basis of the amortized cost thereof; provided that investments which mature five years or more after the date of the valuation shall

be valued on the basis of the market value thereof. For purposes of determining the amount on deposit in a Reserve Fund, any Reserve Fund Insurance Policy credited thereto shall be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, except that if the amount available under a Reserve Fund Insurance Policy has been reduced as a result of a payment having been made thereunder and not reinstated, then, in valuing such Reserve Fund, the value of such Reserve Fund Insurance Policy shall be reduced accordingly. Upon each such valuation of a Reserve Fund, the Treasurer shall prepare a written certificate setting forth the Reserve Fund Requirement applicable thereto as of such valuation date and the value of such Reserve Fund and deliver a copy thereof to the City Administrative Officer. If, on any valuation, the value of a Reserve Fund exceeds the applicable Reserve Fund Requirement, the excess amount shall be withdrawn and deposited into the Debt Service Fund to be used for the purpose of paying principal of and interest on the Participating Bonds or the Series of Future Bonds for which such Reserve Fund was established, as applicable; if the value is less than the applicable Reserve Fund Requirement, additional deposits shall be made to such Reserve Fund as provided in Section 5.03(2).

A Reserve Fund Insurance Policy shall not be acceptable in lieu of a deposit of cash or securities in any Reserve Fund unless at the time of such deposit (i) such Reserve Fund Insurance Policy extends to the maturity of the Bonds secured by such Reserve Fund with respect to which it is deposited or (ii) the City has agreed, by Supplemental Resolution, that the City will replace such Reserve Fund Insurance Policy prior to its expiration with another Reserve Fund Insurance Policy or with cash.

ARTICLE III

MISCELLANEOUS

Section 3.01. Captions. The captions in this [_____] Supplemental Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this [_____] Supplemental Resolution.

Section 3.02. Supplemental Resolution a Contract. This [_____] Supplemental Resolution, together with the General Resolution, is adopted by the City for the benefit of the Bondholders and together they constitute a contract with the Bondholders.

Section 3.03. Severability. If any provision of this [_____] Supplemental Resolution shall be determined to be unenforceable, that shall not affect any other provision of this [_____] Supplemental Resolution. Nothing herein shall preclude one or more of the provisions of this [_____] Supplemental Resolution, with the approvals and satisfaction of the conditions required by the General Resolution, from becoming effective prior to the effective date of any other provision. The City shall promptly inform the Paying Agent and Bondholders in the event that consent has been secured for one or more of the provisions of this [_____] Supplemental Resolution.

Section 3.04. Governing Law. This [_____] Supplemental Resolution shall be governed by and construed in accordance with the laws of the State.

Section 3.05. Effective Date. As set forth in the preambles hereto, all conditions precedent to the adoption of this [_____] Supplemental Resolution contained in Article XI of the General Resolution having been satisfied, this [_____] Supplemental Resolution shall take effect upon its adoption.

PASSED AND ADOPTED this _____ day of _____, 20[___], by the following vote:

ATTACHMENT A - EXHIBIT A
ESCROW AGREEMENT

ESCROW AGREEMENT
(2005-A REFUNDING)

between the

CITY OF LOS ANGELES

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

DATED AS OF JUNE 1, 2015

Relating to the Proceeds of

\$ _____
CITY OF LOS ANGELES
WASTEWATER SYSTEM REVENUE BONDS,
REFUNDING SERIES 2015-B

**ESCROW AGREEMENT
(2005-A REFUNDING)**

This ESCROW AGREEMENT (2005-A REFUNDING), dated as of June 1, 2015 (this “Escrow Agreement”), is entered into by and between the CITY OF LOS ANGELES (the “City”), a municipal corporation and a charter city of the State of California (the “State”), and U.S. BANK NATIONAL ASSOCIATION, its successors and assigns, as escrow agent (the “Escrow Agent”), with reference to the following facts:

W I T N E S S E T H:

WHEREAS, pursuant to the Wastewater System Revenue Bonds General Resolution adopted by the City Council on November 10, 1987, as amended and supplemented from time to time (the “General Resolution”), and the Twenty-Third Supplemental Resolution supplementing the General Resolution adopted by the City Council on November 30, 2005 (the “Twenty-Third Supplemental Resolution”), the City issued its Wastewater System Revenue Bonds, Refunding Series 2005-A (the “Series 2005-A Bonds”) in the original aggregate principal amount of \$300,655,000; and

WHEREAS, the Series 2005-A Bonds are currently outstanding in the aggregate principal amount of \$47,045,000; and

WHEREAS, the City has determined that it is beneficial to the City and its ratepayers to refund all of those certain outstanding Series 2005-A Bond maturities in the amounts set forth on Schedule A hereto (the “Series 2005-A Refunded Bonds”); and

WHEREAS, the General Resolution provides that the “Bonds,” as defined in the General Resolution, and issued thereunder, shall, prior to the maturity thereof, be deemed to have been paid when (a) payment of the principal, interest and premium, if any, either (i) shall have been made in accordance with the terms of the Bonds and the General Resolution, or (ii) shall have been provided for by irrevocably setting aside exclusively for such payment, (1) moneys sufficient to make such payment and/or (2) Government Obligations (as defined in the General Resolution), maturing as to principal and interest or payable to the City or its agent on demand in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of any Registrar and any Paying Agent pertaining to the Bonds with respect to which such deposit is made shall have been paid or provision made for the payment thereof; and

WHEREAS, the General Resolution provides that notwithstanding the foregoing described provision, no deposit under clause (a)(ii) as described in the immediately preceding paragraph shall be deemed a payment of any such Bonds unless the City has given notice or has agreed to give notice in accordance with the General Resolution, as soon as practicable, to the Owners of the Bonds with respect to which such deposit has been made that such deposit has been made and in such notice has included or will include the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption premium, if any, on such Bonds and the City has given or has agreed to give proper

and timely notice of the redemption of those Bonds which are to be redeemed in advance of their maturity; and

WHEREAS, pursuant to the General Resolution, the City Treasurer has been appointed the Paying Agent for the Series 2005-A Refunded Bonds (together with any successor Paying Agent for the Series 2005-A Refunded Bonds appointed pursuant to the General Resolution, the "Paying Agent"); and

WHEREAS, the City has issued its Wastewater System Revenue Bonds, Refunding Series 2015-B in the aggregate principal amount of \$_____ (the "Series 2015-B Bonds") for the purpose, among other purposes, of refunding the Series 2005-A Refunded Bonds; and

WHEREAS, the Series 2015-B Bonds are being issued under the terms of the General Resolution and a Twenty-Eighth Supplemental Resolution adopted by the City Council on [May __], 2015 (the "Twenty-Eighth Supplemental Resolution"); and

WHEREAS, the City has determined that the Series 2005-A Refunded Bonds shall be redeemed on July [6], 2015 (the "Redemption Date"); and

WHEREAS, the Escrow Agent shall take any and all action necessary to transfer amounts provided hereunder to the Paying Agent to pay or redeem the Series 2005-A Refunded Bonds, in accordance with the provisions of this Escrow Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Receipt of Documents and Confirmation of Book-Entry Status of the Series 2005-A Refunded Bonds. The Escrow Agent hereby acknowledges the receipt of a copy of the verification report prepared by _____, independent certified public accountants, in connection with calculations of the sufficiency of the funds and Government Obligations (if any) to be used to pay on the Redemption Date the redemption price of the Series 2005-A Refunded Bonds plus accrued interest thereon to the Redemption Date. The City hereby confirms that all of the Series 2005-A Refunded Bonds are in "book-entry" form, and are registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"), which acts as the securities depository for the Series 2005-A Refunded Bonds. So long as the Series 2005-A Refunded Bonds are in such book-entry form, the Escrow Agent shall give all notices pursuant to this Escrow Agreement to Cede & Co. as the registered owner of the Series 2005-A Refunded Bonds and DTC as the securities depository therefor. The Escrow Agent shall make all payments required hereunder to the Paying Agent.

Section 2. Payment of Bonds; Notice to Owners. The Escrow Agent is hereby appointed to serve as escrow agent and to make the payments required pursuant to this Escrow Agreement as directed by the City. The City shall make available to the Escrow Agent such information with respect to the Paying Agent as needed by the Escrow Agent for purposes of making payments hereunder.

(a) The Escrow Agent shall pay from amounts held under this Escrow Agreement accrued interest on the Series 2005-A Refunded Bonds to the Redemption Date as set forth on Schedule A.

(b) The Series 2005-A Refunded Bonds shall be redeemed on the Redemption Date at the redemption price of 100% of the principal amount thereof without premium as set forth on Schedule A.

(c) The City hereby agrees, as soon as practicable, to give notice under Article VIII of the General Resolution that a deposit has been made hereunder to provide for the payment of the Series 2005-A Refunded Bonds and agrees to give proper and timely notice of the redemption of the Series 2005-A Refunded Bonds in accordance with Section 4.03 of the General Resolution and in accordance with the Twenty-Third Supplemental Resolution relating to the Series 2005-A Refunded Bonds. To implement such agreement, the City hereby irrevocably directs the Escrow Agent to give the following notices and the Escrow Agent agrees that it will:

(i) mail by first-class United States mail, postage prepaid, to all owners of the Series 2005-A Refunded Bonds, a notice of the defeasance of the Series 2005-A Refunded Bonds in substantially the form of Attachment 1 to this Escrow Agreement on June [4], 2015, as soon as practicable after the receipt of the Series 2015-B Bond proceeds as described in Section 3 hereof; and

(ii) mail by first-class United States mail, postage prepaid, to all owners of the Series 2005-A Refunded Bonds, a notice of redemption of the Series 2005-A Refunded Bonds to be redeemed in substantially the form of Attachment 2 to this Escrow Agreement on June [4], 2015 (such date being at least 30 days prior to the Redemption Date), as soon as practicable after the receipt of the Series 2015-B Bond proceeds as described in Section 3 hereof.

Section 3. Establishment of Escrow Account and Costs of Issuance Account; Disposition of Initial Deposits.

(a) There is hereby created and established with the Escrow Agent a special, irrevocable escrow to be designated "Los Angeles Wastewater System Escrow Account, Series 2015-B" (the "Escrow Account") to be held, in escrow, by the Escrow Agent separate and apart from any other funds of the Escrow Agent and the City, if any, held by the Escrow Agent.

(b) On the date of issuance of the Series 2015-B Bonds, a portion of the proceeds of the Series 2015-B Bonds shall be used to pay directly to the Escrow Agent the amount of \$ _____ which, combined with the amount released from the Debt Service Reserve Fund of \$ _____ received by the Escrow Agent on or about the date of issuance of the Series 2015-B Bonds and the amount of the Series 2015-B Good Faith Deposit (hereinafter defined) previously received by the Escrow Agent of \$ _____ as described below, equals \$ _____. The Escrow Agent shall deposit such portion of the proceeds of the Series 2015-B Bonds, together with the amount representing funds released from the Debt Service Reserve Fund

attributable to the Series 2005-A Refunded Bonds, to the Escrow Account. Each such amount to be deposited into the Escrow Account is set forth on Schedule B hereto.

On or about [May 21, 2015]{insert pricing date}, the Escrow Agent, as trustee for the Series 2015-B Bonds, received as a portion of the “good faith” deposit (totaling \$ _____) for the Series 2015-B Bonds and the City’s Wastewater System Revenue Bonds, Series 2015-A being delivered concurrently therewith (together, the “Series 2015 Bonds”) the amount of \$ _____ for the Series 2015-B Bonds (the “Series 2015-B Good Faith Deposit”). The City hereby instructs the Escrow Agent to transfer the Series 2015-B Good Faith Deposit to the Escrow Account in the amount set forth on Schedule B hereto concurrently with the issuance of the Series 2015-B Bonds.

(c) To the extent so provided on Schedule C hereto, the Escrow Agent is hereby directed to use a portion of the amounts deposited to the Escrow Account to purchase on the date of issuance of the Series 2015-B Bonds the securities listed on Schedule C (if any). All amounts in the Escrow Account not so applied (\$ _____) shall be held by the Escrow Agent uninvested in cash.

The securities listed on Schedule C hereto (if any) shall constitute the “Initial Government Obligations” to be held by the Escrow Agent hereunder. Investments in mutual funds or unit investment trusts are prohibited for amounts held in the Escrow Account.

(d) The Escrow Agent shall use the maturing principal of the Initial Government Obligations (if any), together with the interest to be paid thereon (if any), any securities substituted therefor in accordance with Section 12 hereof (if any), and any cash existing in the Escrow Account, to pay to the Paying Agent on the Redemption Date the redemption price of the Series 2005-A Refunded Bonds together with accrued interest thereon to the Redemption Date as provided in Section 2 hereof.

(e) The Escrow Agent is hereby directed to establish an account designated as the “Los Angeles Wastewater System Costs of Issuance Account, Series 2015” (the “Costs of Issuance Account”). On the date of issuance of the Series 2015 Bonds, the Escrow Agent shall deposit the sum of \$ _____ received from the purchasers thereof in the Escrow Account and hold and administer such amount in accordance with the provisions of this Subsection 3(e) to pay Costs of Issuance (as defined in the Twenty-Eighth Supplemental Resolution) related to the Series 2015 Bonds. The Escrow Agent shall invest amounts in the Costs of Issuance Account upon the written direction of the City. The Escrow Agent shall disburse moneys in the Costs of Issuance Account only upon a requisition, substantially in the form set forth in Attachment 3 hereto, signed by an Authorized City Representative, setting forth the amounts to be disbursed for payment or reimbursement of Costs of Issuance and the name of the person or persons to whom such amounts are due, stating that the amounts to be disbursed are for Costs of Issuance properly chargeable to the Costs of Issuance Account and that such amounts have not been the subject of previous requisition. Upon the earlier of (A) _____, 2015, with respect to moneys for Costs of Issuance in the Costs of Issuance Account, or (B) the filing with the Escrow Agent of a certificate stating that all of the Costs of Issuance have been paid, as applicable, the Escrow Agent shall draw and transfer to the City for deposit in the Debt Service Fund or Funds

established by the City for the payment of the Series 2015 Bonds, all remaining moneys in the Costs of Issuance Account, and shall close the Costs of Issuance Account.

(f) The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The Escrow Agent will furnish the City cash transaction statements on a quarterly basis which shall include detail for all investment transactions made by the Escrow Agent hereunder.

Section 4. Irrevocable Deposit. The escrow created hereby shall be irrevocable, and all moneys, the Initial Government Obligations (if any) and any securities substituted therefor in accordance with the terms of this Escrow Agreement held in the Escrow Account and any reinvestment of amounts held hereunder shall be subject to the irrevocable escrow created by this Escrow Agreement until paid out, used and applied in accordance with this Escrow Agreement.

The deposits made pursuant to Section 3(b) hereof shall constitute an irrevocable deposit and pledge for the benefit of the holders of the Series 2005-A Refunded Bonds, and the moneys and Initial Government Obligations (if any) and any securities substituted therefor in accordance with the terms of this Escrow Agreement, together with any interest paid thereon and any reinvestment thereof, shall be held in escrow, and shall be applied solely by the Escrow Agent in accordance with the provisions of this Escrow Agreement. Neither the Initial Government Obligations (if any), securities substituted therefor, any reinvestment thereof, nor moneys deposited with the Escrow Agent under this Escrow Agreement nor principal or interest payments on any such securities (if any) shall, except as provided in Sections 3 and 12 hereof, be withdrawn or used for any purpose other than, and shall be held in escrow for, the payment of the redemption price of, and accrued interest on, the Series 2005-A Refunded Bonds.

Section 5. Receipt of Funds. The Escrow Agent hereby acknowledges receipt of the moneys described in Section 3(b) hereof and Schedule B, and acknowledges, if applicable, that with such moneys it has purchased and received the securities listed on Schedule C hereto (if any). Except as specifically provided in Sections 3 and 12 of this Escrow Agreement, the Escrow Agent shall have no power or duty to invest or reinvest any moneys held hereunder or to make substitutions for the Initial Government Obligations (if any) or to sell, transfer or otherwise dispose of the Initial Government Obligations (if any) except to collect the principal and interest thereon.

Section 6. Late Presentment of Bonds. If any Series 2005-A Refunded Bonds shall not be presented for payment on the Redemption Date, as soon as is practicable after such date on direction of the City, it shall be the duty of the Escrow Agent to transfer such moneys or securities (if any) held by the Escrow Agent for payment of such Series 2005-A Refunded Bonds under this Escrow Agreement to the City or as is otherwise directed by the City in writing. The City shall then hold said moneys in trust for the respective holders of such Series 2005-A Refunded Bonds as described below.

Prior to such transfer to the City (or as is otherwise directed by the City), such moneys or securities (if any) shall at all times be held by the Escrow Agent, in escrow, sufficient for the

purpose of paying when due the redemption price of, and accrued interest on, the Series 2005-A Refunded Bonds. All moneys or securities (if any) required by the provisions hereof to be set aside or held in escrow for the payment of the Series 2005-A Refunded Bonds shall be applied to and used solely for the payment of the Series 2005-A Refunded Bonds with respect to which such moneys and securities (if any) have been so set aside in escrow. Upon such transfer to the City, any moneys and securities (if any) shall be released from escrow and paid to the City and the City shall deposit such amounts into the SCM Fund, and thereafter the holders of such Series 2005-A Refunded Bonds shall look only to the SCM Fund for payment and the City shall be obligated to make such payment, but only to the extent of the original amounts due on such Series 2005-A Refunded Bonds on the original Redemption Date and without any interest thereon on or after the stated Redemption Date and the City shall be obligated to make payment only from Revenues.

Section 7. Destruction of Paid Bonds. All Series 2005-A Refunded Bonds cancelled on account of payment shall be destroyed in accordance with the General Resolution.

Section 8. Waiver of Rights. The City hereby irrevocably waives any right it may have to redeem any of the Series 2005-A Refunded Bonds prior to the Redemption Date.

Section 9. Escrow Agent Fees; Indemnification. For acting under this Escrow Agreement, the Escrow Agent shall be entitled to payment by the City of, and the City shall pay to the Escrow Agent, fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Escrow Agent in connection with its services under this Escrow Agreement; however, such amounts shall never be payable from or become a lien upon the Escrow Account, which account shall be held solely for the purpose set forth in Section 3 of this Escrow Agreement. To the extent permitted by law, the City agrees to indemnify and hold the Escrow Agent harmless from and against all claims, suits and actions brought against it, or to which it is made a party, and from all costs, expenses (including reasonable attorneys' fees), losses and damages suffered by it as a result thereof including the costs and expenses of defending against any such claims, suits or actions, where and to the extent such claim, suit or action arises out of the acceptance or performance by the Escrow Agent of its duties under this Escrow Agreement, including the enforcement by the Escrow Agent of any remedies provided hereunder. Such indemnification shall not extend to claims, suits and actions brought against the Escrow Agent which result in a judgment being entered, settlement being reached or other disposition made based upon the Escrow Agent's negligence or willful misconduct. The indemnification provided for in this Escrow Agreement shall never be payable from or become a lien upon the Escrow Account, which account shall be held solely for the purpose set forth in Section 3 of this Escrow Agreement. This right of indemnification shall survive the termination of this Escrow Agreement. The Escrow Agent shall assert no lien whatsoever on the Escrow Account, or moneys on deposit in the Escrow Account, for the payment of fees and expenses for services rendered by Escrow Agent under this Escrow Agreement or otherwise.

Section 10. Escrow Agent Privileges; Immunities; Successors.

(a) The Escrow Agent shall not be liable for any loss resulting from any investment made pursuant to this Escrow Agreement in compliance with the provisions hereof.

(b) The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of any moneys in the Escrow Account to pay the redemption price of, and accrued interest on, the Series 2005-A Refunded Bonds. So long as the Escrow Agent applies the funds held in the Escrow Account as provided herein and complies fully with the terms of this Escrow Agreement, the Escrow Agent shall not be liable for any deficiencies in the amounts necessary to make such payments caused by such calculations.

(c) In the event of the Escrow Agent's failure to account for any of the Escrow Account or moneys received by it, said Escrow Account or moneys shall, nevertheless, be and remain in escrow for the holders of the Series 2005-A Refunded Bonds or portions thereof, as herein provided.

(d) The Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in this Escrow Agreement and no implied duties or obligations shall be read into this Escrow Agreement against the Escrow Agent.

(e) The Escrow Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed herein, and shall be protected and indemnified, in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document, report or opinion furnished to the Escrow Agent and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and it need not investigate any fact or matter stated in such notice, instruction, request, certificate, document, report or opinion.

(f) The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Agent, be liable for any special, indirect or consequential damages, even if parties know of the possibility of such damages. The Escrow Agent shall have no duty or responsibility under this Escrow Agreement in the case of any default in the performance of covenants or agreements contained in the General Resolution, or in the case of the receipt of any written demand with respect to such default. The Escrow Agent is not required to resolve conflicting demands to money or property in its possession under this Escrow Agreement.

(g) The Escrow Agent may consult with counsel of its own choice (which may be counsel to the City) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel.

(h) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein, in the General Resolution, the Twenty-Eighth Supplemental Resolution or in the Series 2015-B Bonds.

(i) The Escrow Agent shall not be liable for any action or omission of the City under the Escrow Agreement, the General Resolution or the Twenty-Eighth Supplemental Resolution or otherwise.

(j) Whenever in the administration of the provisions of the Escrow Agreement, the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the

part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of the City (signed by any City representative authorized pursuant to the Twenty-Eighth Supplemental Resolution pursuant to which the Series 2015-B Bonds are issued), and such Certificate of the City shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of this Escrow Agreement upon the faith thereof.

(k) The Escrow Agent may at any time resign by giving written notice to the City of such resignation prior to the proposed resignation date, whereupon the City shall promptly use its best efforts to appoint a successor escrow agent by the resignation date. Resignation of the Escrow Agent will be effective only upon the appointment, acceptance and qualification of a successor escrow agent. If the City does not appoint a successor escrow agent within 60 days after notice of resignation by the Escrow Agent, the resigning escrow agent may petition any court of competent jurisdiction for the appointment of a successor escrow agent at the expense of the City, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor escrow agent. After receiving a notice of resignation of an escrow agent, the City may appoint a temporary escrow agent to replace the resigning escrow agent until the City appoints a successor escrow agent. Any such temporary escrow agent so appointed by the City shall immediately and without further act be superseded by the successor escrow agent so appointed.

If a successor escrow agent is appointed, all agreements and obligations described herein with respect to the Escrow Agent, as the escrow agent, shall apply to such successor escrow agent. Every successor escrow agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and the City an instrument in writing accepting such appointment hereunder and thereupon such successor escrow agent, without any further act, deed or conveyance, shall become fully vested with all the rights, immunities, powers, duties and obligations of its predecessor, but such predecessor shall, nevertheless, on the written request of such successor escrow agent or the City, execute and deliver an instrument transferring to such successor escrow agent all the estates, properties, rights, powers of such predecessor hereunder, and every predecessor escrow agent shall deliver all investments and moneys held by it to its successor. Should any transfer, assignment or instrument in writing from the City be required by any successor escrow agent for more fully and certainly vesting in such successor escrow agent the estates, rights, powers and duties hereby vested or intended to be vested in the predecessor escrow agent, any such transfer, assignment and instruments in writing shall, on request, be executed, acknowledged and delivered by the City.

Any corporation or association into which the Escrow Agent, or any successor to it and the escrow created by this Escrow Agreement, may be merged or converted or with which it or any successor to it may be consolidated (or any corporation or association resulting from any merger, conversion, consolidation or tax-free reorganization to which the Escrow Agent or any other bank then serving as escrow agent, or any successor to it, shall be a party), shall be the successor escrow agent under this Escrow Agreement, shall hold the Escrow Account in accordance with the terms hereof and shall be vested with all of the powers, rights, obligations, duties, immunities and privileges hereunder as was its predecessor without the execution or filing of any paper or any other act on the part of the parties hereto, anything herein to the contrary notwithstanding.

(l) The Escrow Agent will provide the City with annual statements of the Escrow Account maintained hereunder.

Section 11. Termination. This Escrow Agreement shall terminate on the later of (i) when the Series 2005-A Refunded Bonds have been fully paid and discharged in accordance with the provisions hereof and the General Resolution, and (ii) when the Escrow Agent closes the Escrow Account and the Costs of Issuance Account pursuant to Section 3(e) hereof. Any moneys or securities (if any) held in the Escrow Account at termination and not required for the payment of the redemption price of, and accrued interest on, the Series 2005-A Refunded Bonds shall, after payment of any outstanding fees or expenses of the Escrow Agent, be paid or transferred to the City.

Section 12. Investment of Funds in the Escrow Account.

(a) Except as otherwise provided in Section 3(c), Section 3(e) and Section 4 hereof, amounts held in the Escrow Account under this Escrow Agreement may be invested only in non-callable and non-prepayable direct obligations of, or non-callable and non-prepayable obligations the full and timely payment of the principal of and interest on which are unconditionally guaranteed by, the United States. Those obligations described in the preceding sentence are herein referred to as "Government Obligations."

(b) At the written direction of the City, the Escrow Agent shall redeem, transfer or exchange the Initial Government Obligations (if any) or any Government Obligations which are then held as an investment of the Escrow Account and reinvest the proceeds thereof, together with the other moneys held in the Escrow Account in Government Obligations, and may release to the City the excess amount then resulting in the Escrow Account provided that the City delivers to the Escrow Agent the following:

(i) an opinion of an independent certified public accountant to the effect that, after such reinvestment the principal amount of Government Obligations, together with the interest thereon and other available moneys held in the Escrow Account, will be sufficient without reinvestment to redeem the Series 2005-A Refunded Bonds on the Redemption Date at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon, as provided in Sections 2 and 3 hereof; and

(ii) an unqualified opinion of nationally recognized municipal bond counsel to the effect that (a) such investment will not cause either the Series 2005-A Refunded Bonds, other Bonds issued under the General Resolution, or the Series 2015-B Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986 (the "Code"), and the regulations thereunder in effect on the date of such investment, or otherwise cause the interest on any of such bonds to be included in the gross income of the recipients thereof for federal income tax purposes, and (b) such reinvestment complies with the Constitution and laws of the State of California and with all relevant documents relating to the issuance of the Series 2005-A Refunded Bonds.

(c) If, at any time, the Initial Government Obligations (as defined in Subsection 3(c) hereof) (if any) or other Government Obligations then held as an investment of the Escrow

Account mature or payments are made thereon to the Escrow Agent or the Escrow Agent otherwise holds or receives cash in advance of the time same cash is needed to make payment on the Series 2005-A Refunded Bonds, such amounts shall be held uninvested unless the Escrow Agent has received written instructions from the City directing the investment of such amounts and all of the following requirements have been met:

(i) such moneys shall be invested only in Government Obligations which mature not later than the date on which the funds invested therein will be needed to make payments on the Series 2005-A Refunded Bonds;

(ii) such moneys shall be invested only in Government Obligations which mature in an amount, together with interest thereon, not less than the full amount paid by Escrow Agent to acquire such investments;

(iii) prior to any such reinvestment, the Escrow Agent shall receive from the City or the City's financial advisor a certificate to the effect that the investments to be acquired by the Escrow Agent meet the requirements of Subsections 12(c)(i) and 12(c)(ii) above; and

(iv) if the yield on such reinvestment is greater than 0.00% or the reinvestment is being made pursuant to an agreement providing for the purchase of Government Obligations at a future time or times, then prior to any such reinvestment, the City shall deliver to the Escrow Agent an unqualified opinion of nationally recognized municipal bond counsel to the effect that (i) such reinvestment will not cause either the Series 2005-A Refunded Bonds, other Bonds issued under the General Resolution or the Series 2015-B Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and the regulations thereunder in effect on the date of such investment, or otherwise cause the interest on any of such bonds to be included in the gross income of the recipients thereof for federal income tax purposes; provided that, if such investment is made pursuant to the terms of an agreement between the Escrow Agent and a supplier of securities which agreement is entered into by the Escrow Agent at the written direction of the City and provides for investments to be provided at a future time or times, then the requirement set forth in this Subsection 12(c)(iv) shall be met if the opinion described herein is provided prior to the time the agreement is entered into and relates to all investments made in accordance with the terms of such agreement.

(d) In addition to the requirements and restrictions set forth above in Subsection 12(c), if the Series 2005-A Refunded Bonds then carry a rating assigned by Moody's Investors Service ("Moody's") and/or Standard & Poor's Ratings Service ("Standard & Poor's") and/or Fitch Ratings, Inc. ("Fitch") on the basis of the security provided by the Escrow Account, then the City shall not direct the Escrow Agent to enter into an agreement providing for the purchase of securities at a future time or times as an investment of the Escrow Account unless prior to the time the Escrow Agent enters into such agreement, the City has been notified by the rating agency or agencies then maintaining such rating or ratings that entering into the agreement will not cause the rating or ratings then assigned to the Series 2005-A Refunded Bonds to be reduced or withdrawn.

Section 13. Tax Covenant of the City. The City covenants that it will not take or omit to take any action, which action or omission to act would cause the Series 2005-A Refunded Bonds, any other Bonds issued under the General Resolution or the Series 2015-B Bonds to be arbitrage bonds within the meaning of Section 148 of the Code, and the regulations thereunder, or take or omit to take any action which would cause the interest on any such bonds to be included in the gross income of the recipients thereof for federal income tax purposes.

Section 14. Compensation Acknowledgement. The Escrow Agent hereby acknowledges that under the terms of this agreement with the City, all fees that are or will become due to the Escrow Agent for services performed under this Escrow Agreement have been provided for and that provision has been made to the satisfaction of the Escrow Agent between the City and the Escrow Agent for all necessary and proper compensation and expenses of Escrow Agent with respect to such Series 2005-A Refunded Bonds within the meaning of Article VIII of the General Resolution, so long as the Series 2005-A Refunded Bonds remain in book-entry only form. Amounts to be paid to the Escrow Agent for compensation and expenses of the Escrow Agent shall never be payable from or become a lien upon the Escrow Account, which account shall be held solely for the purpose set forth in Section 3 of this Escrow Agreement.

Section 15. Incorporation of Definitions in the General Resolution. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the General Resolution.

Section 16. Amendments or Supplements. This Escrow Agreement is made for the benefit of the City and the owners of the Series 2005-A Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent and the City; provided, however, that the City and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Escrow Agreement or enter into such agreements supplemental to this Escrow Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Escrow Agreement or the General Resolution; provided, that each of the following shall be a condition to the execution and delivery of any such amendment or supplement (1) if Moody's, Standard & Poor's or Fitch is then maintaining a rating on the Series 2005-A Refunded Bonds on the basis of the security provided by the Escrow Account, then such rating agency must have received a copy of such amendment or supplement and have notified the City that such amendment or supplement will not cause the rating then being maintained to be reduced or withdrawn and (2) there shall be delivered to the City an opinion of nationally recognized municipal bond counsel to the effect that such amendment or supplement (a) will not cause either the Series 2005-A Refunded Bonds, other Bonds issued under the General Resolution or the Subordinate General Resolution or the Series 2015-B Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the regulations thereunder in effect on the date of such amendment or supplement or otherwise cause the interest on any such bonds to be included in the gross income of the recipients thereof for federal income tax purposes and (b) complies with the terms of this Escrow Agreement.

Section 17. Severability. If any one or more of the covenants or agreements to be performed by any of the parties to this Escrow Agreement shall be determined by a court of

competent jurisdiction to be unenforceable, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements contained herein and shall in no way affect the validity of the remaining provisions of this Escrow Agreement. If any provisions of this Escrow Agreement shall be deemed by a court of competent jurisdiction to be unenforceable, the City shall promptly notify Standard & Poor's at One Market Street, Steuart Tower, 15th Floor, San Francisco, California 94105, Fitch Ratings at 111 Congress Avenue, Suite 2010, Austin, Texas 78701, and any other rating agency at the time maintaining a rating on the Series 2005-A Refunded Bonds.

Section 18. Governing Law; Counterparts. This Escrow Agreement shall be governed by and construed in accordance with the laws of the State of California. This Escrow Agreement may be executed in counterparts, each of which shall be deemed an original and all of which, taken together, shall be deemed to be one and the same document.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, the parties have each caused this Escrow Agreement to be executed by their duly authorized representatives as of the date first written above.

CITY OF LOS ANGELES

By: _____
Assistant City Administrative Officer

Attest:

HOLLY WOLCOTT, City Clerk

By: _____
Deputy City Clerk

Approved as to form:

MICHAEL N. FEUER, City Attorney

By: _____
Assistant City Attorney

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

By: _____
Authorized Officer

SCHEDULE A

**DESCRIPTION OF THE SERIES 2005-A REFUNDED BONDS,
REDEMPTION DATE AND REDEMPTION PRICE; ESCROW REQUIREMENTS**

Description of the Series 2005-A Refunded Bonds

<u>Maturity Date</u>	<u>Principal Amount Outstanding to be Redeemed</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP</u>
06/01/2029	\$ 2,455,000	4.50%	07/06/2015	100%	53945CBV1
06/01/2030	2,570,000	5.00	07/06/2015	100	53945CBW9
06/01/2031	2,705,000	5.00	07/06/2015	100	53945CBX7
06/01/2032	2,830,000	5.00	07/06/2015	100	53945CBY5
06/01/2034*	23,725,000	5.00	07/06/2015	100	53945CCB4
06/01/2035	12,760,000	4.75	07/06/2015	100	53945CCC2

* Term Bond maturing on June 1, 2034.

Escrow Requirements for the Series 2005-A Refunded Bonds

<u>Date</u>	<u>Interest</u>	<u>Called Principal</u>	<u>Call Premium</u>	<u>Total Requirements</u>
07/06/2015		\$47,045,000	--	

SCHEDULE B

DEPOSITS TO ESCROW ACCOUNT

<u>Deposit from Series 2015-B Bond Proceeds</u>	<u>Portion of Good Faith Deposit</u>	<u>Amount Released from Debt Service Reserve Fund</u>	<u>Total Deposit to Escrow Account</u>
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SCHEDULE C
INITIAL GOVERNMENT OBLIGATIONS

Escrow Account Securities

Type	Maturity Date	Total Principal Amount	Interest Rate
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NONE

ATTACHMENT 1

NOTICE OF DEFEASANCE

CITY OF LOS ANGELES WASTEWATER SYSTEM REVENUE BONDS, REFUNDING SERIES 2005-A

The City of Los Angeles, California (the "City") hereby gives notice to the owners of the bonds described above that:

(1) On [June 4,] 2015, there was deposited with U.S. Bank National Association, as escrow agent, funds that have been irrevocably set aside to pay on [July 6], 2015, the redemption price (*i.e.*, 100% of the principal amount) of the \$47,045,000 outstanding principal amount of the City's Wastewater System Revenue Bonds, Refunding Series 2005-A as more fully identified in the table below (the "Series 2005-A Refunded Bonds") to be redeemed on such date, plus accrued interest thereon to the redemption date:

Series 2005-A Refunded Bonds (Redemption Date: [July 6], 2015)

Maturity Date	Principal Amount Outstanding to be Redeemed	Interest Rate	Redemption Date	Redemption Price	CUSIP
06/01/2029	\$ 2,455,000	4.50%	07/06/2015	100%	53945CBV1
06/01/2030	2,570,000	5.00	07/06/2015	100	53945CBW9
06/01/2031	2,705,000	5.00	07/06/2015	100	53945CBX7
06/01/2032	2,830,000	5.00	07/06/2015	100	53945CBY5
06/01/2034*	23,725,000	5.00	07/06/2015	100	53945CCB4
06/01/2035	12,760,000	4.75	07/06/2015	100	53945CCC2

* Term Bond maturing on June 1, 2034.

(2) As a result of such deposit, the Series 2005-A Refunded Bonds are deemed to be no longer Outstanding under the terms of the General Resolution pursuant to which such Series 2005-A Refunded Bonds were issued.

(3) Accrued interest will be paid on the Redemption Date (or if either such day is not a Business Day then on the next Business Day), from government obligations purchased with the deposited funds (if any) and the earnings thereon (if any) and/or from cash held under the escrow agreement.

(4) All of the Series 2005-A Refunded Bonds will be redeemed on [July 6], 2015 (or if such day is not a Business Day then on the next Business Day) at a redemption price of 100% of the principal amount thereof.

CITY OF LOS ANGELES

Notice given by mailing this [4th] day of June, 2015.

ATTACHMENT 2

NOTICE OF REDEMPTION

**CITY OF LOS ANGELES
WASTEWATER SYSTEM REVENUE BONDS,
REFUNDING SERIES 2005-A**

The City of Los Angeles hereby gives notice to the owners of the City's outstanding Wastewater System Revenue Bonds, Refunding Series 2005-A that such bonds will be redeemed on [July 6], 2015.

The following information is hereby provided with respect to such redemption:

- (1) The redemption price shall be 100% of the principal amount of the bonds redeemed.
- (2) To receive payment of the redemption price, bonds described above must be presented to --

By Mail or by Hand: U.S. Bank National Association, as Paying Agent, c/o U.S. Bank Global Corporate Trust Services, Attn: 111 Fillmore Ave. E., St. Paul, MN 55107;

and the redemption price, together with accrued interest to the redemption date, will be paid at such location. Upon receipt, if any, of such bonds the Escrow Agent will forward the bonds to the City for cancellation.

- (3) The CUSIP numbers of the bonds to be redeemed are:

Maturity (June 1)	CUSIP
2029	53945CBV1
2030	53945CBW9
2031	53945CBX7
2032	53945CBY5
2034*	53945CCB4
2035	53945CCC2

* Term Bond maturing on June 1, 2034.

- (4) On [July 6], 2015, the bonds described above will cease to bear interest.

Notice given by mailing this [4th] day of June, 2015.

CITY OF LOS ANGELES

cc: Paying Agent

ATTACHMENT 3

[FORM OF WRITTEN REQUISITION]

Wastewater No. _____

\$ _____
City of Los Angeles
Wastewater System Revenue Bonds,
Series 2015-A

\$ _____
City of Los Angeles
Wastewater System Revenue Bonds,
Refunding Series 2015-B

REQUISITION FOR COSTS OF ISSUANCE -
Account No. _____

The undersigned Authorized City Representative hereby states and certifies that:

(i) U.S. Bank National Association, as escrow agent (“Escrow Agent”) under that certain Escrow Agreement (2005-A Refunding), dated as of June 1, 2015 (the “Escrow Agreement”), by and between the City of Los Angeles (the “City”) and the Escrow Agent, is hereby requested to pay the payees from the Costs of Issuance Account established under the Escrow Agreement or to the City for payment by the City to the person, firm or corporation designated below as “Payee” the sum set forth opposite such designation, in payment or reimbursement of a portion of the Costs of Issuance, for the purposes listed below:

<u>Payee</u>	<u>Purpose/Contract</u>	<u>Amount</u>
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(ii) the amounts to be disbursed hereunder constitute a Cost of Issuance and such amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the City, or were necessarily and reasonably incurred and that said amounts are not being paid in advance of the time, if any, fixed for payment;

(iii) no amounts as set forth in this Requisition will be included in any other Requisition;

(iv) the amounts remaining in the Costs of Issuance Account will, after payment of the amounts set forth above, be sufficient to pay all remaining Costs of Issuance as currently estimated; and

(v) the total amount to be paid under this requisition is \$ _____ and such amount shall be paid to the payees indicated in paragraph (i) above.

CITY OF LOS ANGELES

By: _____
Authorized City Representative

Date: _____, 20__

ATTACHMENT A - EXHIBIT B
BOND PURCHASE AGREEMENT

\$ _____
CITY OF LOS ANGELES
Wastewater System Revenue Bonds,
Series 2015-A (Green Bonds)

\$ _____
CITY OF LOS ANGELES
Wastewater System Revenue Bonds,
Refunding Series 2015-B

CONTRACT OF PURCHASE

_____, 2015

City of Los Angeles
Office of the City Administrative Officer
200 North Main Street
Room 1500, City Hall East
Los Angeles, California 90012

Ladies and Gentlemen:

The undersigned (hereinafter called the "Underwriters") offer to enter into the following agreement with the City of Los Angeles (the "City"), which, upon acceptance of this offer by the City, will be binding upon the City and the Underwriters. This offer is made subject to the written acceptance hereof by the City on or before 5:00 p.m., Los Angeles Time, on the date hereof and, if not so accepted, will be subject to withdrawal by the Underwriters upon written or oral notice given to the City at any time prior to the acceptance hereof by the City.

1. Purchase and Sale.

(a) Upon the terms and conditions and upon the basis of the representations and agreements set forth herein, the Underwriters, jointly and severally, hereby agree to purchase, and the City hereby agrees to sell all (but not less than all) of its \$ _____ Wastewater System Revenue Bonds, Series 2015-A (Green Bonds) (the "Series 2015-A Senior Lien Bonds") and the \$ _____ City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015-B (the "Series 2015-B Senior Lien Bonds" and, together with the Series 2015-A Senior Lien Bonds, the "Series 2015 AB Senior Lien Bonds"). The Series 2015 AB Senior Lien Bonds shall be dated the date of delivery thereof and shall be payable in the years and the amounts, and bear interest at the rates, set forth in Schedule I hereto, such interest being payable on June 1 and December 1 of each year, commencing December 1, 2015. The Series 2015 AB Senior Lien Bonds are subject to redemption as set forth in Schedule I hereto. The purchase price for the Series 2015 AB Senior Lien Bonds shall be \$ _____, representing the aggregate principal amount of the Series 2015 AB Senior Lien Bonds, plus original issue premium of \$ _____, less the Underwriters' discount of \$ _____.

(b) Simultaneously with the execution of this Contract of Purchase, the Underwriters have delivered the amount of \$ _____ (the "Security Deposit") in the form of a wire transfer to U.S. Bank National Association, as escrow agent (the "Custodian"), who will hold such funds for the account of the City pursuant to a Custody Agreement between the City and the Custodian, as a security deposit for the performance by the Underwriters of their obligation to accept and pay for the Series 2015 AB Senior Lien Bonds at the Closing as provided in Section 8 herein. Upon the acceptance of this offer by the City, the Security Deposit and the proceeds thereof may be invested by the Custodian as directed by the City with the consent of the Underwriters, such consent not to be unreasonably withheld. The Security Deposit shall be applied against the purchase price payable by the Underwriters at Closing. If the City fails to deliver the Series 2015 AB Senior Lien Bonds at the

Closing, or if the City shall be unable to satisfy the conditions to the obligations of the Underwriters contained herein (unless waived by the Underwriters), or if the obligations of the Underwriters shall be terminated for any reason permitted by this Contract of Purchase, then the original amount of the Security Deposit (\$ _____) shall be immediately returned by the Custodian to the Underwriters. If the Underwriters fail (other than for a reason permitted hereunder) to accept and pay for the Series 2015 AB Senior Lien Bonds upon tender thereof by the City at the Closing as herein provided, the Security Deposit (including any interest earning thereon) shall be retained by the Custodian for the account of the City as and for full liquidated damages for such failure on the part of the Underwriters and such retention by the Custodian for the account of the City shall constitute a full release and discharge of all claims and rights by the City against the Underwriters arising out of the transactions contemplated hereby. The parties hereto expressly agree and acknowledge that the City's actual damages in the event of a failure by the Underwriters (other than for a reason permitted hereunder) to accept and pay for the Series 2015 AB Senior Lien Bonds upon tender thereof by the City at the Closing would be extremely difficult or impracticable to ascertain and that the amount of the Security Deposit represents the parties' reasonable estimate of such damages. In any and all actions brought to enforce the Underwriters' obligations under this Contract of Purchase, it shall be conclusively presumed that the above-described liquidated damages shall be the sole remedy of the City.

(1) The City has delivered or caused to be delivered to the Underwriters the City's preliminary official statement dated May __, 2015 relating to the Series 2015 AB Senior Lien Bonds (said preliminary official statement, together with the cover page and any and all appendices thereto, being herein referred to as the "Preliminary Official Statement"). The City confirms that the Preliminary Official Statement was "deemed final" as of the date thereof, for purposes of Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"), except for certain information permitted to be omitted by said Rule. The Series 2015 AB Senior Lien Bonds are being offered pursuant to the City's final official statement relating to the Series 2015 AB Senior Lien Bonds, dated _____ 2015, (said final official statement, together with the cover page and any and all appendices thereto and including any amendments or supplements thereto prior to the Closing (as defined herein), being herein referred to as the "Official Statement"). The Official Statement shall be in substantially the same form as the Preliminary Official Statement and, other than information previously permitted to have been omitted by Rule 15c2-12, the City shall only make such other additions, deletions and revisions in the Official Statement which are approved by the Representative. Capitalized terms used herein which are not otherwise defined herein shall have the respective meanings given such terms in the Official Statement.

(c) The City acknowledges and agrees that (i) the primary role of the Underwriters, as underwriters, is to purchase the Series 2015 AB Senior Lien Bonds, for re-sale to investors pursuant to this Contract of Purchase is an arm's-length commercial transaction between the City and the Underwriters and the Underwriters have financial and other interests that differ from those of the City, (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriters are and have been acting solely as principals and are not acting as the agent, financial advisor, municipal advisor or fiduciary of the City, (iii) the Underwriters have not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the City on other matters) and the Underwriters have no obligation to the City with respect to the offering contemplated hereby except the obligations expressly set forth in this Contract of Purchase and (iv) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

2. The Series 2015 AB Senior Lien Bonds. The Series 2015 AB Senior Lien Bonds are being issued by the City of Los Angeles pursuant to the Charter of the City of Los Angeles (the “City Charter”), Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”) and, with respect to the Series 2015-B Bonds, Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the California Government Code (as amended, the “Refunding Law”). The Series 2015AB Senior Lien Bonds are also issued pursuant to the Wastewater System Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on November 10, 1987, as amended and supplemented (the “General Resolution”), including as amended and supplemented by the Twenty-Eighth Supplemental Resolution, adopted by the City Council on May __, 2015.

The proceeds of the Series 2015AB Senior Lien Bonds, together with certain available monies of the City, will be used to (i) finance the construction and improvement of the wastewater collection and treatment system of the City, (ii) refund certain outstanding Wastewater System Revenue Bonds as set forth in the Official Statement (the “Refunded Bonds”), (iii) fund a deposit to the Reserve Fund, and (iv) pay certain costs of issuing the Series 2015AB Senior Lien Bonds.

3. Authority. Siebert Brandford Shank & Co., L.L.C. (the “Representative”) has been duly authorized to execute this Contract of Purchase on behalf of the other Underwriters and has been duly authorized to act hereunder by and on behalf of the other Underwriters.

4. Offering. It shall be a condition to the City’s obligations to execute and deliver the Series 2015 AB Senior Lien Bonds to the Underwriters and to the Underwriters’ obligations to purchase, to accept delivery of and to pay for the Series 2015 AB Senior Lien Bonds that the entire \$_____ aggregate principal amount of the Series 2015 AB Senior Lien Bonds shall be so executed and delivered by the City and purchased, accepted and paid for by the Underwriters at the Closing. The Underwriters agree to make a public offering of all of the Series 2015 AB Senior Lien Bonds at not in excess of the initial public offering prices or less than the yields set forth on the inside cover page of the Official Statement and on Schedule I hereto.

5. Official Statement, Delivery of Other Documents. The City shall deliver to the Underwriters, within seven business days of the date hereof and in any event, at least three business days prior to the Closing, the Official Statement, in such quantity as the Underwriters may reasonably request in order for the Underwriters to comply with the rules of the Municipal Securities Rulemaking Board (“MSRB”) and subsection (b)(4) of Rule 15c2-12. The City shall deliver to the Underwriters an electronic copy of the Official Statement in a form that permits the Underwriters to satisfy their obligations under the rules and regulations of the MSRB and the U.S. Securities and Exchange Commission. In order to assist the Underwriters in complying with Rule 15c2-12, the City will undertake, pursuant to the Continuing Disclosure Certificate, dated as of the date of Closing (the “Continuing Disclosure Certificate”), to provide annual financial information and notices of the occurrence of specified events. A description of the Continuing Disclosure Certificate is set forth in, and a form of such undertaking is attached as an appendix to, the Preliminary Official Statement and the Official Statement.

6. Use of Documents.

(a) The City authorizes the use by the Underwriters of the Official Statement (including any supplements or amendments thereto and including in electronic format), and the information therein contained, in connection with the public offering and sale of the Series 2015 AB Senior Lien Bonds. The City also confirms its consent to the use by the Underwriters, prior to the date hereof, of

the Preliminary Official Statement (including in electronic format) in connection with the public offering of the Series 2015 AB Senior Lien Bonds.

(b) As soon as practicable following receipt thereof, the Representative shall deliver the Official Statement, and any supplement or amendment thereto, to the Municipal Securities Rulemaking Board.

7. Representations and Agreements of the City. The City hereby represents and warrants as of the date hereof and agrees as follows:

(a) The City is a charter city and municipal corporation duly organized and validly existing under the laws of the State of California.

(b) The City has the full legal right, power and authority to (i) adopt the General Resolution and enter into the Continuing Disclosure Certificate, the Escrow Agreement relating to the Refunded Bonds between the City and the Escrow Agent (the "Escrow Agreement"), this Contract of Purchase and any other documents executed by the City in connection with the Series 2015 AB Senior Lien Bonds (the "City Documents"); (ii) to sell, issue and deliver the Series 2015 AB Senior Lien Bonds to the Underwriters as provided herein and (iii) to carry out and consummate the transactions on its part contemplated by the City Documents.

(c) An ordinance of the City (the "Ordinance") relating to the Series 2015 AB Senior Lien Bonds was duly adopted by the City Council at a meeting which was held on _____, 2015 pursuant to the terms of the Charter and all other applicable law and with all required notice and at which a quorum was present at the time of adoption of such Ordinance, and such Ordinance was or will be properly published and will become effective upon publication.

(d) By all necessary official action, the City has duly adopted, authorized and approved (i) the City Documents, (ii) the Preliminary Official Statement and the Official Statement; (iii) the execution and delivery of, and the performance by the City of its obligations to provide the information described in, the Continuing Disclosure Certificate and its obligations contained in this Contract of Purchase; (iv) the execution of all certificates and other instruments necessary to effectuate the issuance and delivery of the Series 2015 AB Senior Lien Bonds, and (v) the performance by the City of the obligations on its part contained in the City Documents and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Series 2015 AB Senior Lien Bonds. In connection with the issuance of the Series 2015 AB Senior Lien Bonds, the City has complied in all material respects, (i) with the laws of the State of California and of the United States and (ii) with its obligations on its part contained in the General Resolution, the Continuing Disclosure Certificate and this Contract of Purchase.

(e) The Series 2015 AB Senior Lien Bonds, the General Resolution and the Continuing Disclosure Certificate conform in all material respects to the descriptions thereof contained in the Official Statement.

(f) At or prior to the Closing, the General Resolution shall have been duly adopted by the City Council and this Contract of Purchase, the Series 2015 AB Senior Lien Bonds and the Continuing Disclosure Certificate shall have been duly executed by the City and shall be legal, valid and binding obligations of the City, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights generally and subject, as to enforceability, to the general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law), to the exercise of judicial

discretion in appropriate cases and to the limitations on legal remedies against municipal corporations in the State of California.

(g) Between the date of this Contract of Purchase and the date of the Closing, except as contemplated by the Official Statement, the City will not, with respect to the System (as defined in the Official Statement), incur any material liabilities, direct or contingent other than in the ordinary course of business, and, except as contemplated by the Official Statement, there shall not have been any material adverse change in the condition, financial or physical, of the System other than changes in the ordinary course of business.

(h) The City is not in breach of or default under any applicable existing constitutional provision, law or administrative regulation of the State of California or the United States binding on the City or any existing applicable judgment or court decree binding on the City or any existing loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party which would materially adversely affect the ability of the City to pay the principal and interest on the Series 2015 AB Senior Lien Bonds, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute such an event of default which would have such effect under any such instrument; and the adoption of the General Resolution and the execution and delivery of this Contract of Purchase and the Continuing Disclosure Certificate and the performance by the City of its obligations under the General Resolution, this Contract of Purchase and the Continuing Disclosure Certificate will not conflict with or constitute a breach of or default under any existing constitutional provision, law or administrative regulation of the State of California or the United States binding on the City or any existing applicable judgment or court decree binding on the City, or any existing loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party, which conflict, breach or default would materially adversely affect the ability of the City to pay the principal and interest on the Series 2015 AB Senior Lien Bonds. The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied on.

(i) Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity, before or by any court, pending against the City (service of process against the City having been made) or, to the knowledge of the officer of the City executing this Contract of Purchase, overtly threatened in writing (i) in any way questioning the existence of the City or the titles of the Authorized City Representatives (as defined in the Twenty-Eighth Supplemental Resolution) to their respective offices; (ii) seeking to prohibit, restrain or enjoin the adoption of the General Resolution, the issuance or delivery of the Series 2015 AB Senior Lien Bonds, or application of the proceeds of sale of the Series 2015 AB Senior Lien Bonds, or in any way contesting the validity of the General Resolution, the Ordinance, the Series 2015 AB Senior Lien Bonds, the Continuing Disclosure Certificate or this Contract of Purchase, or the tax-exempt status of interest due with respect to the Series 2015 AB Senior Lien Bonds or any authority for the execution and delivery of the Series 2015 AB Senior Lien Bonds, or the execution and delivery by the City of the Continuing Disclosure Certificate or this Contract of Purchase; or (iii) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(j) Except as disclosed in the Official Statement, there is no action, suit or proceeding, at law or in equity, before or by any court, pending against the City (service of process against the City

having been made) or, to the knowledge of the officer of the City executing this Contract of Purchase), overtly threatened in writing, which would result in any material adverse change to the financial condition of the System, the SCM Fund, and the Debt Service Fund.

(k) The City will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Underwriters as necessary (i) to qualify the Series 2015 AB Senior Lien 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 Underwriters may designate and (ii) to determine the eligibility of the Series 2015 AB Senior Lien Bonds for investment under the laws of such states and other jurisdictions, and will use its commercially reasonable efforts to continue such qualifications in effect so long as required for the distribution of the Series 2015 AB Senior Lien Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(l) All approvals, consents and orders of any California or United States governmental authority having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations in connection with, the execution, sale and delivery of the Series 2015 AB Senior Lien Bonds under this Contract of Purchase have been obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Series 2015 AB Senior Lien Bonds; and, except as disclosed in the Official Statement, all approvals, consents and orders of any California or United States governmental authority having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the City of its obligations under, the City Documents have been obtained.

(m) The Preliminary Official Statement (other than the information contained in the Preliminary Official Statement with respect to The Depository Trust Company (“DTC”) or the book-entry system) did not, on the date thereof, and through the period up to the execution of this Contract of Purchase, contain any untrue statement of a material fact or omit to state a material fact (other than information permitted to be omitted pursuant to Rule 15c2-12) necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(n) At the time of the City’s acceptance hereof, and up to and including the time of Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except that no representation is made with respect to the information in the Official Statement relating to DTC, the book-entry system or any bond insurer.

(o) If the Official Statement is supplemented or amended pursuant to subparagraph (p) of this paragraph 7, the City agrees that, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times during the period from the date of this Contract of Purchase to and including the date which is 25 days after the end of the underwriting period (as determined in accordance with Section 17 hereof), the Official Statement, as so supplemented or amended, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, except that the City shall have no

responsibility with respect to the information in the Official Statement relating to DTC, the book-entry system or any bond insurer.

(p) If between the date of this Contract of Purchase and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 17 hereof) any event shall occur that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriters of any such event of which it has knowledge 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 City shall prepare and furnish to the Underwriters (i) a reasonable number of copies of a supplement or amendment to the Official Statement in form and substance reasonably acceptable to the Underwriters and (ii) if such notification shall be subsequent to the Closing, such legal opinions, certificates, instruments and other documents as the Representative may reasonably deem necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(q) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Series 2015 AB Senior Lien Bonds.

(r) Any certificate signed by any officer of the City and delivered to the Underwriters pursuant to the City Documents or any document contemplated thereby shall be deemed a representation and warranty by the City to the Underwriters as to the statements made therein.

(s) The City is not in default and at no time in the past ten years has been in default with respect to any obligations incurred by it of a character similar to the Series 2015 AB Senior Lien Bonds.

(t) The financial statements of, and other financial information regarding the City in the Official Statement fairly present the financial position and results with respect to the System as of the dates and for the periods therein set forth. The financial statements with respect to the System have been prepared in accordance with generally accepted accounting principles consistently applied, and except as noted in the Official Statement. Except as disclosed in the Official Statement, there has not been any materially adverse change in the financial condition of the System or in its operations since June 30, 2014 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(u) The Official Statement discloses all material information regarding the City's compliance with Rule 15c2-12 in the prior five years.

8. Closing. At 9:00 a.m., Los Angeles time, on May __, 2015, or at such other time or on such later date as shall have been mutually agreed upon by the City and the Representative, the City shall deliver to DTC in New York, New York, on behalf of the Underwriters, the Series 2015 AB Senior Lien Bonds, in definitive form duly executed by the City, and the Underwriters shall accept such delivery to DTC and shall pay the purchase price of the Series 2015 AB Senior Lien Bonds as set forth in Paragraph 1(a) hereof by delivering federal or other immediately available funds in the amount of such purchase price to the City. The City shall deliver to the Underwriters the other documents hereinafter mentioned at the offices of Norton Rose Fulbright US L.L.P. in Los Angeles, California or such other place as shall have been mutually agreed upon by the City and the Representative. Such payment and delivery is herein called the "Closing." The Series 2015 AB

Senior Lien Bonds shall be prepared in fully registered form without coupons, in authorized denominations shall bear CUSIP numbers and shall be registered in the name of "Cede & Co.," as nominee of DTC; there shall be one (1) typewritten bond for each maturity of the Series 2015 AB Senior Lien Bonds (and, if Series 2015 AB Senior Lien Bonds of the same maturity bear interest at different rates, for each Series 2015-A Bond of such maturity bearing interest at a different rate) and the Series 2015 AB Senior Lien Bonds shall be made available for inspection by the Underwriters at least one business day prior to the Closing.

9. Closing Conditions. The Underwriters have entered into this Contract of Purchase in reliance upon the representations of the City contained herein and the performance by the City of its respective obligations hereunder both as of the date hereof and as of the date of Closing. The Underwriters' obligations under this Contract of Purchase shall be conditioned upon the performance by the City of its obligations to be performed hereunder and under the other documents and instruments delivered in connection with the execution and delivery of the Series 2015 AB Senior Lien Bonds and shall also be subject to the following further conditions:

(a) The representations of the City contained herein shall be true, complete and correct in all material respects on the date hereof and true, complete and correct in all material respects on the date of the Closing.

(b) At the time of the Closing (i) the City Documents shall be in full force and effect in accordance with their terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in each case as may have been agreed to by the Representative, and (ii) the City shall perform or have performed its obligations under the City Documents which are required to be performed at or prior to the Closing.

(c) At or prior to the Closing, the Underwriters shall receive the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed on behalf of the City by an Authorized City Representative;

(2) A certified copy of the General Resolution and the Ordinance and an executed copy of the Continuing Disclosure Certificate and a tax certificate, in form and substance reasonably satisfactory to Bond Counsel and the City, executed on behalf of the City by an Authorized City Representative;

(3) The opinion of Norton Rose Fulbright US L.L.P., Bond Counsel, dated the date of the Closing, in substantially the form attached to the Official Statement as Appendix F, together with a letter, dated the date of the Closing, from such Bond Counsel addressed to the Underwriters stating that the Underwriters may rely on such opinion as though it was addressed to them;

(4) The opinion of Norton Rose Fulbright US L.L.P., Bond Counsel, dated the date of the Closing and addressed to the Underwriters, in substantially the form set forth in Exhibit A hereto;

(5) The opinion of Norton Rose Fulbright US L.L.P., Bond Counsel, dated the date of the Closing and addressed to the City, the Trustee and the Underwriters, to the effect that the Refunded Bonds have been defeased in accordance with the General Resolution;

(6) An opinion of the City Attorney, dated the date of the Closing and addressed to the Underwriters, in substantially the form set forth in Exhibit C hereto;

(7) A certificate of an Authorized City Representative, dated the date of Closing, to the effect that each of the representations set forth in Paragraph 7 of this Contract of Purchase is true, accurate and complete in all material respects as of the Closing and each of the agreements of the City, as set forth in this Contract of Purchase to be complied with at or prior to the Closing, has been complied with in all material respects;

(8) Evidence reasonably satisfactory to the Underwriters that, as of the date of Closing, the rating on the Series 2015 AB Senior Lien Bonds are “___” by Standard & Poor’s Rating Services, “___” by Fitch Ratings and “___” by [Kroll Bond Rating Agency];

(9) The opinion of Hawkins Delafield & Wood LLP, Disclosure Counsel, dated the date of Closing in substantially the form attached hereto as Exhibit B addressed to the City and accompanied by a reliance letter from Disclosure Counsel to the effect that such opinion may be relied upon by the Underwriters to the same effect as if such opinion were addressed to them;

(10) The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Underwriters’ Counsel, dated the date of Closing and addressed to the Underwriters, in form and substance satisfactory to the Underwriters

(11) A report of _____ stating that the firm has verified the mathematical accuracy of certain computations relating to the defeasance of the Refunded Bonds;

(12) Two transcripts of all proceedings of the City relating to the transactions contemplated hereunder; and

(13) Such additional legal opinions, certificates, instruments and other documents as the Underwriters, Disclosure or Bond Counsel may reasonably deem necessary to evidence the due execution and delivery of the Series 2015 AB Senior Lien Bonds, the truth and accuracy as of the time of the Closing of the City’s representations contained in paragraph 7 hereof and performance, in all material respects, by the City at or prior to the time of the Closing of all agreements then to be performed and all conditions then to be satisfied by the City pursuant to the City Documents.

The opinions and certificates and other material referred to above shall be in form and substance reasonably satisfactory to the Representative.

10. Termination. The Representative shall have the right to terminate the Underwriters’ obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the Series 2015 AB Senior Lien Bonds by notifying the City of the Underwriters’ election to do so if, after the execution hereof and prior to the Closing:

(a) the marketability of the Series 2015 AB Senior Lien Bonds or the market price thereof, in the reasonable opinion of the Representative (after consultation with the City), has been materially adversely affected by (i) an amendment to the Constitution of the United States, (ii) any legislation (A) enacted by the United States or the State of California, (B) recommended to the Congress or, except as disclosed in the Official Statement, otherwise endorsed for passage, by press release, other form of notice or otherwise, by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or (C) presented as an option for consideration by either such Committee, by the staff of such Committee or by the staff of the Joint Committee on Taxation of the United States Congress, or favorably reported for passage to either House of the Congress by any Committee of such House or by a Conference Committee of both Houses to which

such legislation has been referred for consideration, or (iii) any decision of any court of the United States or by any ruling or regulation (final, temporary or proposed) on behalf of the Treasury City of the United States, the Internal Revenue Service or any other authority of the United States or any comparable legislative, judicial or administrative development affecting the federal or state tax status of the City, its property or income, or the federal or state income tax treatment of interest on its obligations including the Series 2015 AB Senior Lien Bonds;

(b) there shall have occurred the outbreak or escalation of hostilities involving the United States or a national or international calamity or crisis, or the declaration by the United States of a national emergency or war, which in the reasonable judgment of the Representative (after consultation with the City) have had a materially adverse effect on the marketability of the Series 2015 AB Senior Lien Bonds or the market price thereof;

(c) there shall have occurred the declaration of a general banking moratorium by any authority of the United States, the State of New York or the State of California or a major financial crisis or material disruption in commercial banking or securities settlement or clearance services shall have occurred which, in the reasonable opinion of the Representative (after consultation with the City), materially adversely affects the marketability of the Series 2015 AB Senior Lien Bonds or the market price thereof;

(d) there shall have been any downgrading, suspension or withdrawal, or any official statement as to a possible downgrading, suspension or withdrawal of any underlying rating on bonds secured by the Revenues by any rating service which has rated the Series 2015 AB Senior Lien Bonds;

(e) a general suspension of trading shall have occurred, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges or prices for securities shall have been required and be in force on the New York Stock Exchange or other national stock exchange whether by virtue of a determination by that Exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction;

(f) an event described in subparagraph (p) of paragraph 7 shall have occurred which in the reasonable opinion of the Representative (after consultation with the City) requires the preparation and publication of a supplement or amendment to the Official Statement;

(g) a tentative decision with respect to legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or legislation shall be introduced, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or a decision by a court of the United States, or action (including a stop order) shall be taken or a regulation shall be issued by the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject, the effect of which, in the opinion of the Representative, could be that either (i) the Series 2015 AB Senior Lien Bonds are not, or may not be, exempt from the registration, qualification or other similar requirements of the Securities Act of 1933, as amended (the "Securities Act"), or (ii) the Indenture is not, or may not be, exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"); or

(h) the New York Stock Exchange or other national securities exchange, or any governmental authority, shall have imposed additional material restrictions not in force as of the date hereof upon trading in securities generally or shall have imposed, as to any bonds or similar obligations, any material, restrictions not now in force, or increase materially those now in force,

with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriters.

11. Expenses.

(a) The City shall pay any expenses incident to the performance of the City's obligations hereunder, including but not limited to the following: (i) the cost of the preparation, printing and delivery of the Series 2015 AB Senior Lien Bonds; (ii) the fees for bond ratings; (iii) the cost of printing and distribution of the Preliminary Official Statement and the Official Statement; (iv) the fees and disbursements of Bond Counsel; (v) the fees and disbursements of Disclosure Counsel; (vi) the fees and disbursements of any other engineers, accountants, attorneys, verification agent and other experts or consultants or advisors retained by the City; (vii) the expenses to qualify the Series 2015 AB Senior Lien Bonds for sale under any Blue Sky Laws; and (viii) any other costs and disbursements incurred by the City in connection with the transaction. The City shall reimburse the Underwriters for expenses (included in the expense component of the Underwriters' spread) incurred on behalf of the City's employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation and lodging of those employees.

(b) The Underwriters shall pay their own expenses including but not limited to the fees and disbursements of any attorneys retained by the Underwriters. The Underwriters are required to pay fees to the California Debt and Investment Advisory Commission in connection with the sale of the 2015 Series Bonds. Notwithstanding that such fees are solely the legal obligation of the Underwriters, the City agrees to reimburse the Underwriters for such fees through inclusion in the underwriter's discount.

12. Notices. Any notice or other communication to be given to the City under this Contract of Purchase (other than the acceptance hereof as specified in the first paragraph hereof) may be given by giving the same in writing to the City of Los Angeles, Office of the City Administrative Officer, 200 North Main Street, Room 1500, City Hall East, Los Angeles, California 90012, Attention: Debt Management Group; and any notice or other communication to be given to the Underwriters under this Contract of Purchase may be given by delivering the same in writing to Siebert Brandford Shank & Co., L.L.C., 523 West Sixth Street, Suite 703, Los Angeles, CA 90014 Attention: Lisa Smith.

13. Governing Law; Venue. This Agreement was made and entered into in the City of Los Angeles and shall be governed by, interpreted and enforced in accordance with the laws of the State of California and the City of Los Angeles, including any applicable statute of limitation, without regard to conflict of law principles. All litigation arising out of, or relating to this Agreement, shall be brought in a State or Federal court in the County of Los Angeles in the State of California. The parties irrevocably agree to submit to the exclusive jurisdiction of such courts in the State of California and waive any defense of forum non conveniens.

14. Parties in Interest. This Contract of Purchase when executed by the City shall constitute the entire agreement between the City and the Underwriters and is made solely for the benefit of the City and the Underwriters (including the successors or permitted assigns of any of the Underwriters but does not include any purchasers of the Series 2015 AB Senior Lien Bonds from the Underwriters). No other person shall acquire or have any right hereunder or by virtue hereof. All of the representations (as of the date such representations were made) of the City contained in this Contract of Purchase shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any of the Underwriters. This Contract of Purchase may not be assigned by any party without the written consent of the other party.

15. Effective Date. This Contract of Purchase shall be effective upon the execution hereof by the Representative, on behalf of the Underwriters, and the City.

16. Headings. The headings of the paragraphs of this Contract of Purchase are inserted for convenience only and shall not be deemed to be a part hereof.

17. End of Underwriting Period. The term “end of the underwriting period” referred to in paragraphs 7(o) and (p) of this Contract of Purchase shall mean the later of such time as (i) the City delivers the Series 2015 AB Senior Lien Bonds to the Underwriters or (ii) the Underwriters do not retain an unsold balance of the Series 2015 AB Senior Lien Bonds for sale to the public. Unless the Underwriters gives notice to the contrary, the end of the underwriting period shall be deemed to be the date of the Closing. Any notice delivered pursuant to this paragraph 17 shall be delivered in writing to the City at or prior to the date of the Closing, and shall specify a date, other than the date of the Closing (or such other date specified by notice delivered pursuant to this paragraph 17), to be deemed the end of the underwriting period.

18. Representation by Counsel. Each party hereto represents and acknowledges that it has been represented by competent counsel in connection with the negotiation and execution of this Agreement, and has been fully advised by said counsel with respect to its rights and obligations hereunder.

19. Representations, Warranties and Agreements to Survive Delivery. The representations, warranties, indemnities, agreements and other statements of the City and the Underwriters or their officers or partners set forth in, or made pursuant to, this Contract of Purchase will remain operative and in full force and effect regardless of any investigation made by or on behalf of the City or the underwriters or any controlling person and will survive delivery of and payment for the Series 2015 AB Senior Lien Bonds.

20. Counterparts. This Contract of Purchase may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

[Signatures appear on next page.]

Very truly yours,

Siebert Brandford Shank & Co., L.L.C.
Backstrom McCarley Berry & Co., LLC
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Morgan Stanley & Co. LLC

By: _____
Siebert Brandford Shank & Co., L.L.C.,
as Representative of the Underwriters

Agreed and Accepted:

This ___ day of _____, 2015

CITY OF LOS ANGELES

By: _____
Name: _____
Title: _____

APPROVED AS TO FORM

This _____ day of June, 2015

MICHAEL N. FEUER
City Attorney

By: _____
Assistant City Attorney

SCHEDULE I

Maturity Schedule

\$ _____
City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015-A

<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
--------------------------------	-----------------------------------	--------------------------------	--------------	--------------

\$ _____ % Term Bonds due June 1, 20__ Yield: _____ % Price: _____

\$ _____
City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015-B

<u>Year</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
--------------------------------	-----------------------------------	--------------------------------	--------------	--------------

\$ _____ % Term Bonds due June 1, 20__ Yield: _____ % Price: _____

* Priced to par call on June 1, 20__.

REDEMPTION PROVISIONS

Optional Redemption. The Series 2015-A Senior Lien Bonds maturing before June 1, 20__ are not subject to redemption before their stated maturities. The Series 2015-A Senior Lien Bonds maturing on or after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, pro rata among maturities and by lot within any one maturity if less than all of the Series 2015-A Senior Lien Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption price equal to the principal amount of the Series 2015-A Senior Lien Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

The Series 2015-B Senior Lien Bonds maturing before June 1, 20__ are not subject to redemption before their stated maturities. The Series 2015-B Senior Lien Bonds maturing on or after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, pro rata among maturities and by lot within any one maturity if less than all of the Series 2015-B Senior Lien Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption price equal to the principal amount of the Series 2015-B Senior Lien Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Series 2015-A Senior Lien Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter, at a redemption price equal to the principal being redeemed, without premium, from mandatory sinking account payments which have been deposited in the debt service fund created for the Series 2015-A Senior Lien Bonds, in the principal amounts set forth below (subject to adjustment in the event of an optional redemption of the Series 2015-A Senior Lien Bonds, as provided in the Twenty-Eighth Supplemental Resolution):

Series 2015-A Senior Lien Term Bonds Maturing June 1, 20__	
Redemption Date (June 1)	Principal Amount
	\$
	(maturity)

The Series 2015-B Senior Lien Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter, at a redemption price equal to the principal being redeemed, without premium, from mandatory sinking account payments which have been deposited in the debt service fund created for the Series 2015-B Senior Lien Bonds, in the principal amounts set forth below (subject to adjustment in the event of an optional redemption of the Series 2015-B Senior Lien Bonds, as provided in the Twenty-Eighth Supplemental Resolution):

Series 2015-B Senior Lien Term Bonds Maturing June 1, 20__	
Redemption Date (June 1)	Principal Amount
	\$

(maturity)

EXHIBIT A

FORM OF SUPPLEMENTAL OPINION

[Closing Date]

Siebert Brandford Shank & Co., L.L.C.
Backstrom McCarley Berry & Co., LLC
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Morgan Stanley & Co. LLC

\$ _____
CITY OF LOS ANGELES
Wastewater System Revenue Bonds,
Series 2015-A (Green Bonds)

\$ _____
CITY OF LOS ANGELES
Wastewater System Revenue Bonds,
Refunding Series 2015-B

Ladies and Gentlemen:

We have acted as bond counsel to the City of Los Angeles (the "City") in connection with the issuance of \$ _____ Wastewater System Revenue Bonds, Series 2015-A (Green Bonds) (the "Series 2015-A Senior Lien Bonds") and the \$ _____ City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015-B (the "Series 2015-B Senior Lien Bonds" and, together with the Series 2015-A Senior Lien Bonds, the "Series 2015 AB Senior Lien Bonds"). The Series 2015 AB Senior Lien Bonds are being issued by the City pursuant to the Charter of the City of Los Angeles (the "City Charter"), Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the "Procedural Ordinance"), and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the California Government Code (as amended, the "Refunding Law") (with respect to the Series 2015-B Senior Lien Bonds). The Series 2015AB Senior Lien Bonds are also issued pursuant to the Wastewater System Revenue Bonds General Resolution, adopted by the Council of the City (the "City Council") on November 10, 1987, as amended and supplemented (the "General Resolution"), including as amended and supplemented by the Twenty-Eighth Supplemental Resolution, adopted by the City Council on April 22, 2015.

The Bonds are being sold by the City on the date hereof pursuant to that Contract of Purchase, dated _____, 2015, by and between the City and Siebert Brandford Shank & Co., L.L.C. as representative of itself and Backstrom McCarley Berry & Co., LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC (collectively, the "Underwriters").

All capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed to such terms in the Contract of Purchase, or if not defined therein, in the Official Statement, dated _____, 2015, relating to the Series 2015 AB Senior Lien Bonds (such Official Statement in the form prepared for use by the Underwriters in confirming sales of the Series 2015 AB Senior Lien Bonds being hereinafter referred to as the "Official Statement"). In our capacity as bond counsel, we have relied upon such certifications and opinions of or information provided by City representatives, without any independent investigation of such matters. In addition,

we have examined originals or copies, certified or otherwise identified to our satisfaction, of such other documents, legal opinions, instruments and records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion, and we have assumed, but have not independently verified, that the signatures on all documents, certificates and opinions that we have reviewed are genuine. In our examination, we have assumed, but have not independently verified, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies or by facsimile or other means of electronic transmission or which we obtained from sites on the internet, and the authenticity of the originals of such latter documents. As to facts and certain other matters and the consequences thereof relevant to the opinions expressed herein and the other statements made herein, we have relied without independent investigation or verification upon, and assumed the accuracy and completeness of, (a) certificates, letters (including opinion letters), and oral and written statements and representations of public officials, officers and other representatives of the City, counsel for the City, and others, and (b) the representations and warranties in the Contract of Purchase.

In delivering this letter, we are not expressing any view on the validity or accuracy of documents, certificates or opinions we have examined.

Based on the foregoing and such other information and documents as we have considered necessary in order to render this opinion, it is our opinion that:

1. The Contract of Purchase has been duly executed and delivered by the City and (assuming due authorization, execution and delivery by and validity against the other parties thereto) is a valid and binding agreement of the City, enforceable against the City in accordance with its terms. We call attention to the fact that the rights and obligations under the Contract of Purchase and the enforceability thereof are subject to and may be limited by bankruptcy, insolvency, reorganization, arrangement, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law), by the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California (the "State"); provided, however, that no opinion is expressed with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver (including, without limitation, waiver of jury trial or consent to trial without a jury) provisions contained therein.

2. The statements contained in the Official Statement under the captions "DESCRIPTION OF THE SERIES 2015 AB SENIOR LIEN BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 AB SENIOR LIEN BONDS," "TAX MATTERS" and Appendices B, C and F, insofar as such statements expressly summarize certain provisions of the Series 2015 AB Senior Lien Bonds, the General Resolution, and our opinion concerning certain tax matters relating to the Series 2015 AB Senior Lien Bonds, are accurate in all material respects, and we express no view on any other reports, financial or statistical data, financial statements or forecasts in the Official Statement or any information concerning The Depository Trust Company or the book-entry system. References to the Official Statement are to the document examined by us at the delivery of the Series 2015 AB Senior Lien Bonds and not to any physical or electronic reproduction other than a true copy thereof.

3. The Series 2015 AB Senior Lien Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the General Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

Except as provided in paragraph (2) above, we are not passing upon and are not assuming any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Official Statement, and we express no opinion with respect thereto.

This letter is issued as of the date hereof, and we assume no obligation to update or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention with respect to the statements expressed above, including any changes in applicable law that may hereafter occur.

This letter refers only to the Series 2015 AB Senior Lien Bonds as delivered to the Underwriters, and no view is expressed as to any offering by the Underwriters or others of derivative instruments with investment characteristics not identical to those of the Series 2015 AB Senior Lien Bonds.

The opinions expressed and the statements made herein are expressed and made as of the time of closing of the sale of the Series 2015 AB Senior Lien Bonds to the Underwriters on the date hereof. Such opinions and statements may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after such time. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this letter in light of such actions or events or for any other reason. Our engagement with respect to this matter has terminated as of the date hereof.

We are not expressing any opinion or advice with respect to the authorization, execution, delivery or validity of the Series 2015 AB Senior Lien Bonds, or the exclusion from gross income for federal, State or local income tax purposes of interest on the Series 2015 AB Senior Lien Bonds.

We have this day released to the City our final approving opinion with respect to the Series 2015 AB Senior Lien Bonds. The foregoing opinion may be relied upon by you to the same extent as if such opinion was addressed to you.

This letter is furnished by us as bond counsel with respect to the Series 2015 AB Senior Lien Bonds. This letter is delivered to you solely for your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. No attorney-client relationship has existed or exists between our firm and the Underwriters in connection with the issuance and sale of the Series 2015 AB Senior Lien Bonds or by virtue of this letter. This letter is not intended to and may not be relied upon by owners of the Series 2015 AB Senior Lien Bonds or by any other party to whom it is not specifically addressed.

Respectfully submitted,

EXHIBIT B

FORM OF OPINION OF DISCLOSURE COUNSEL

[Closing Date]

City of Los Angeles
Los Angeles, California

Siebert Brandford Shank & Co., L.L.C.
Backstrom McCarley Berry & Co., LLC
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Morgan Stanley & Co. LLC

Re: \$ _____ City of Los Angeles Wastewater System Revenue Bonds, Series
 2015-A (Green Bonds)
 \$ _____ City of Los Angeles Wastewater System Revenue Bonds,
 Refunding Series 2015-B

Ladies and Gentlemen:

We have acted as disclosure counsel on behalf of the City of Los Angeles, California (the “City”) in connection with the sale of \$ _____ City of Los Angeles Wastewater System Revenue Bonds, Series 2015-A (Green Bonds) (the “Series 2015-A Senior Lien Bonds”) and the \$ _____ Wastewater System Revenue Bonds, Refunding Series 2015-B (the “Series 2015-B Senior Lien Bonds”) and, together with the Series 2015-A Senior Lien Bonds, the “Series 2015 AB Senior Lien Bonds”).

The Series 2015 AB Senior Lien Bonds are being issued by the City pursuant to the Charter of the City of Los Angeles (the “City Charter”), Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”), and, with respect to the Series 2015-B Senior Lien Bonds, Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the California Government Code (as amended, the “Refunding Law). The Series 2015AB Senior Lien Bonds are also issued pursuant to the Wastewater System Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on November 10, 1987, as amended and supplemented (the “General Resolution”), including as amended and supplemented by the Twenty-Eighth Supplemental Resolution, adopted by the City Council on April 22, 2015. The terms and provisions of the Bonds are contained in the General Resolution and are further described in the Official Statement relating to the Bonds, dated _____, 2015 (the “Official Statement”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Official Statement.

The Bonds are being sold by the City on the date hereof pursuant to that Contract of Purchase, dated _____, 2015, by and between the City and Siebert Brandford Shank & Co., L.L.C. as representative of itself and Siebert Brandford Shank & Co., L.L.C. as representative of itself and Backstrom McCarley Berry & Co., LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Morgan Stanley & Co. LLC (collectively, the “Underwriters”).

In our capacity as Disclosure Counsel to the City, we have examined, among other things, the Official Statement, and originals, or copies certified or otherwise identified to our satisfaction as being true copies of the originals, of such records of the City and others and such other documents, letters, certificates, instruments, records and opinions, as we have considered necessary or appropriate for the basis of our opinion, including the opinions of the Office of the City Attorney for the City, the General Resolution, the final approving opinion of Norton Rose Fulbright US LLP regarding the validity of the Bonds and certain other matters, such opinion dated the date hereof and in substantially the form attached to the Official Statement as Appendix F. In addition, we have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of such other documents, instruments or corporate records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion. We have assumed, but have not independently verified, that the signatures on all documents, letters, opinions and certificates which we have examined are genuine, that all documents submitted to us are authentic and were duly and properly approved and executed by the parties thereto and that all representations made in the documents that we have reviewed are true and accurate. In giving the limited assurances hereinafter expressed, we are not expressing any opinion or view on, but have ourselves assumed and relied upon, the validity, accuracy and sufficiency of the records, documents, certificates and opinions (originals or copies, certified or otherwise identified to our satisfaction) executed and delivered in connection with the issuance of the Bonds. Without limiting the foregoing statement, we have relied, without independently opining upon the legal conclusions expressed and without independently verifying the factual matters represented, on the legal opinions that we have reviewed.

We have also participated in conferences with, among others, representatives, employees and agents of the City, including representatives of the Office of the City Administrative Officer, the Office of the City Attorney, the Department of Public Works, the Office of the City Controller and the Office of Finance/Treasurer, the Financial Advisors, the Underwriters, Bond Counsel, Underwriters' Counsel and others, during which conferences various legal and factual matters relating to the Bonds and the contents of the Official Statement were discussed.

Although in our capacity as Disclosure Counsel we have assisted in the preparation of the final Official Statement, the final Official Statement is the City's document and as such the City is responsible for its content. The statements made and the information contained in the Official Statement were reviewed for their accuracy, completeness, and materiality by representatives of the City. The purpose of our engagement was not to independently establish, confirm, or verify the factual matters set forth in the Official Statement and we have not done so. Moreover, many of the determinations required to be made in the preparation of the Official Statement involve wholly or partially matters of a non-legal character. We do not, therefore, take any responsibility for the factual matters set forth in the Official Statement and we undertake herein only to express certain limited negative assurances regarding the same.

In separately requesting and accepting this letter, you recognize and acknowledge that: (i) the scope of those activities performed by us were inherently limited and do not encompass all activities that you as the City may be responsible to undertake in preparing the Official Statement; (ii) those activities performed by us relied substantially on representations, warranties, certifications and opinions made by representatives of the City and others, and are otherwise subject to the matters set forth in this letter; and (iii) while such statements of negative assurance are customarily given to underwriters of municipal bonds to assist them in discharging their responsibilities under the federal securities laws, the responsibilities of the District under those laws may differ from those of

underwriters in material respects, and this letter may not serve the same purpose or provide the same utility to you as the City as it would to the underwriters.

Also, this letter does not address (i) the CUSIP numbers, (ii) any financial statements contained in the Official Statement, (iii) any financial, demographic, statistical or economic data, estimates, projections, numbers, assumptions, charts, graphs, tables, or expressions of opinion contained in the Official Statement, and (iv) information relating to The Depository Trust Company and its book-entry system contained in the Official Statement and in Appendix G "Book-Entry Only System".

Based upon such participation, and information disclosed to us in the course of our representation of the City as Disclosure Counsel, considered in light of our understanding of the applicable law and the experience we have gained through our practice of law, and subject to all of the foregoing in this letter including the qualifications respecting the scope and nature of our engagement, we advise you, as a matter of fact but not opinion, that, during the course of our engagement as Disclosure Counsel with respect to the Official Statement, no facts came to the attention of the attorneys of our firm rendering legal services in connection with this matter that caused them to believe that the Official Statement, as of the date of the Official Statement or as of the date of delivery of the Bonds, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

This letter is issued as of the date hereof, and we assume no obligation to update, revise or supplement this letter to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or for any other reason.

We are not expressing any opinion with respect to the authorization, execution, issuance or validity of the Bonds, or the exclusion from gross income for federal income tax purposes of interest on the Bonds.

This letter is furnished by us solely for your benefit and may not be relied upon by any other person or entity, except as may be expressly authorized by us in writing. This letter is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Bonds, except that reference may be made in any list of closing documents pertaining to the issuance of the Bonds.

Very truly yours,

EXHIBIT C

**FORM OF OPINION OF
THE CITY ATTORNEY OF THE CITY OF LOS ANGELES**

[Closing Date]

City of Los Angeles
Los Angeles, California

Siebert Brandford Shank & Co., L.L.C.
Backstrom McCarley Berry & Co., LLC
Merrill Lynch, Pierce, Fenner & Smith Incorporated
Morgan Stanley & Co. LLC

Ladies and Gentlemen:

This opinion is being delivered in connection with the issuance by the City of Los Angeles (the "City") of \$_____ City of Los Angeles Wastewater System Revenue Bonds, Series 2015-A (Green Bonds) (the "Series 2015-A Senior Lien Bonds") and the \$_____ City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015-B (the "Series 2015-B Senior Lien Bonds" and, together with the Series 2015-A Senior Lien Bonds, the "Series 2015 AB Senior Lien Bonds") and the sale of the Series 2015 AB Senior Lien Bonds to the Underwriters thereof.

The Series 2015 AB Senior Lien Bonds are being issued by the City pursuant to the Charter of the City of Los Angeles (the "City Charter"), Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the "Procedural Ordinance") and, with respect to the Series 2015-B Bonds, Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 et seq. and Section 53580 et seq., respectively) of the California Government Code (as amended, the "Refunding Law"). The Series 2015AB Senior Lien Bonds are also issued pursuant to the Wastewater System Revenue Bonds General Resolution, adopted by the Council of the City (the "City Council") on November 10, 1987, as amended and supplemented (the "General Resolution"), including as amended and supplemented by the Twenty-Eighth Supplemental Resolution, adopted by the City Council on May __, 2015. Capitalized terms not otherwise defined herein shall have the respective meanings ascribed thereto in the General Resolution or, if not defined in the General Resolution, in the Official Statement, dated _____, 2015 (the "Official Statement"), relating to the Series 2015 AB Senior Lien Bonds.

We have examined certified copies of proceedings for the issuance of the Series 2015 AB Senior Lien Bonds, including (i) the Charter, (ii) the General Resolution, (iii) Ordinance No. _____ passed by the City Council on April __, 2015 (the "Ordinance")[the Procedural Ordinance], (iv) the Contract of Purchase, dated _____, 2015 (the "Contract of Purchase"), by and among the City and Siebert Brandford Shank & Co., L.L.C., as representative of itself and J.P. Morgan Securities LLC, Cabrera Capital Markets, LLC, Jefferies LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriters") relating to the Series 2015 AB Senior Lien Bonds, (v) the Continuing Disclosure Certificate, dated June __, 2015 (the "Continuing Disclosure Certificate"), executed by the City and (vi) such other records, documents, certificates, opinions, and other matters as are in our judgment necessary or appropriate to enable us to render the opinions

expressed herein. As to relevant factual matters, we have relied upon, among other things, the City's factual representations contained in the City Documents (as defined below) and the Official Statement. Collectively, the General Resolution, the Twenty-Eighth Supplemental Resolution, the Contract of Purchase and the Continuing Disclosure Certificate are referred to herein as the "City Documents." Capitalized terms not otherwise defined herein shall have the meaning set forth therefor in the applicable Contract of Purchase.

We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies. To the extent the City's obligations depend on the enforceability of the City Documents against the other parties thereto, we have assumed that the City Documents are enforceable against such other parties.

From such examination, on the basis of our reliance upon the assumptions in this opinion and our consideration of those questions of law we considered relevant, and subject to the limitations and qualifications in this opinion, we are of the opinion that:

1. The City is a duly organized charter city and municipal corporation of the State of California duly organized and existing under the Constitution and the Charter.

2. Each of the City Documents has been duly authorized by the City, and duly executed and delivered by the City and constitutes the legally valid and binding obligation of the City enforceable against the City in accordance with its respective terms, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws relating to or affecting creditors' rights generally, to general principles of equity, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against municipal corporations in the State of California.

3. The General Resolution has been duly adopted by the Council, and constitutes the legally valid and binding obligations of the City enforceable against the City in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws relating to or affecting creditors' rights generally, to general principles of equity, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against municipal corporations in the State of California.

4. The Official Statement has been duly authorized by the City and duly executed by the City, and the City has duly authorized the delivery and distribution of the Official Statement by the Underwriters in connection with the public offering of the Series 2015 AB Senior Lien Bonds.

5. The adoption by the City of the General Resolution and the Ordinance, and the execution and delivery by the City of the City Documents, do not conflict with or constitute a breach of or default under any California constitutional provision, law, administrative regulation, judgment or court decree that we have, in the exercise of customary professional diligence, recognized as applicable to the City and the transactions contemplated by the City Documents, or, to our knowledge, any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party, with respect to which such conflict, breach or default would materially adversely affect the ability of the City to pay the principal and interest on the Series 2015 AB Senior Lien Bonds. If any such loan agreement, indenture, bond, note, resolution, agreement or other instrument is governed by the laws of a jurisdiction other than California, we have assumed that such

loan agreement, indenture, bond, note, resolution, agreement or other instrument is governed by the laws of the State of California. We express no opinion as to the effect of the City's performance of its obligations under the City Documents on the City's compliance with financial covenants in such other loan agreements, indentures, bonds, notes, resolutions, agreements or other instruments.

6. Except as otherwise set forth in the Official Statement, there is no action, suit or proceeding, at law or in equity, before or by any court, pending (service of process against the City having been made) which (a) in any way questions the corporate existence of the City or the titles of the Authorized City Representatives (as defined in the Twenty-Eighth Supplemental Resolution) of the City to their respective offices, (b) seeks to restrain or enjoin the issuance or delivery of any of the Series 2015 AB Senior Lien Bonds, (c) in any way contests the validity of the Series 2015 AB Senior Lien Bonds, the General Resolution, the Ordinance or any of the City Documents, (d) contests the power of the City to issue the Series 2015 AB Senior Lien Bonds, or (e) contests the completeness or accuracy of the Official Statement or asserts that the Official Statement contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statement therein, in light of the circumstances under which they were made, not misleading.

7. The Ordinance was duly adopted by the City Council at a meeting which was held pursuant to the terms of the Charter and all other applicable law and with all required notice and at which a quorum was present at the time of adoption of such Ordinance, and such Ordinance was or will be properly published and will become effective upon publication.

The matters set forth in paragraphs 5 and 6 are factual confirmations and not legal opinions. For purposes of the matters set forth in paragraph 5, we have assumed that the City will not in the future take any discretionary action (including a decision not to act) permitted by the City Documents that would cause the adoption by the Council of the General Resolution and the Ordinance or the execution and delivery by the City of the City Documents to violate any California or Los Angeles constitutional provision, law or administrative regulation or constitute a violation or breach of or default under any judgment, court decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is subject or by which it is bound, or require an approval, consent or authorization to be obtained from a California or Los Angeles governmental authority.

We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, severability or waiver provisions contained in the City Documents.

We express no opinion as to any provision requiring written amendments or waivers insofar as it suggests that oral or other modifications, amendments or waivers could not be effectively agreed upon by the parties or that the doctrine of promissory estoppel might not apply.

A court may refuse to enforce a provision of the City Documents if it deems that such provision is in violation of public policy. No opinion is being rendered as to the availability of any particular remedy.

The law covered by this opinion is limited to the present law of the State of California. We express no opinion as to the laws of any other jurisdiction.

The opinions expressed are matters of professional judgment and are not a guarantee of result.

This opinion may be relied on by you only in connection with the issuance of the Series 2015 AB Senior Lien Bonds. It may not be used or relied upon for any other purpose or by any other person, nor may copies be delivered to any other person, without in each instance our prior written consent; provided however that it may be included in the transcript of record of proceedings relating to the issuance of the Series 2015 AB Senior Lien Bonds. This opinion is expressly limited to the matters set forth above, and we render no opinion, whether by implication or otherwise, as to any other matters. This letter speaks only as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that arise after the date of this opinion and come to our attention, or any future changes in laws.

This opinion is given in an official capacity and not personally and no personal liability shall derive therefrom.

Respectfully submitted,

MICHAEL N. FEUER
City Attorney

By: _____
Assistant City Attorney

ATTACHMENT A - EXHIBIT C
PRELIMINARY OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED MAY __, 2015

[DAC Logo]
 NEW ISSUES – BOOK-ENTRY ONLY SYSTEM

RATINGS:

Fitch: “ ”
 S&P: “ ”
 Kroll: “ ”

See “Ratings” herein.

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and assuming compliance with the tax covenants described herein, interest on the Series 2015AB Senior Lien Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Series 2015AB Senior Lien Bonds is exempt from personal income taxes of the State of California. See “TAX MATTERS” herein.



§[2015A Par]*
CITY OF LOS ANGELES
Wastewater System Revenue Bonds
Series 2015-A (Green Bonds)

§[2015B Par]*
CITY OF LOS ANGELES
Wastewater System Revenue Bonds,
Refunding Series 2015-B

Dated: Date of Delivery

Due: June 1, as shown on the inside cover

The §[2015A Par]* City of Los Angeles Wastewater System Revenue Bonds, Series 2015-A (Green Bonds) (the “Series 2015-A Senior Lien Bonds”) and the §[2015B Par]* City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015-B (the “Series 2015-B Senior Lien Bonds”) and, together with the Series 2015-A Senior Lien Bonds, the “Series 2015AB Senior Lien Bonds”) are being issued by the City of Los Angeles (the “City”) pursuant to the Charter of the City of Los Angeles (the “City Charter”), Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”) and, with respect to the Series 2015-B Bonds, Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the California Government Code (as amended, the “Refunding Law”). The Series 2015AB Senior Lien Bonds are also issued pursuant to the Wastewater System Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on November 10, 1987, as amended and supplemented (the “General Resolution”), including as amended and supplemented by the Twenty-Eighth Supplemental Resolution, adopted by the City Council on May __, 2015.

The proceeds of the Series 2015AB Senior Lien Bonds, together with certain available monies of the City, will be used to (i) finance the construction and improvement of the wastewater collection and treatment system of the City, (ii) refund certain outstanding Wastewater System Revenue Bonds (as defined herein), (iii) fund a deposit to the Reserve Fund, and (iv) pay certain costs of issuing the Series 2015AB Senior Lien Bonds. See “Plan of Finance” herein.

The Series 2015AB Senior Lien Bonds are special, limited obligations of the City payable from the Revenues and amounts on deposit in the Sewer Construction and Maintenance Fund, Debt Service Fund, Reserve Fund and Construction Funds as defined in the General Resolution. The City is not obligated to make payment from any other source. The Series 2015AB Senior Lien Bonds are not payable from the General Fund of the City and are not a general obligation of the City, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of any amounts due on the Series 2015AB Senior Lien Bonds.

Interest on the Series 2015AB Senior Lien Bonds will be payable on June 1 and December 1, commencing on December 1, 2015. The Series 2015AB Senior Lien Bonds will be issued as fully-registered bonds, will mature in the principal amounts in each year (subject to prior redemption), and will bear interest at the respective rates per annum as set forth on the inside cover of this Official Statement. The Series 2015AB Senior Lien Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository for the Series 2015AB Senior Lien Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. So long as DTC or its nominee is the Owner of the Series 2015AB Senior Lien Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2015AB Senior Lien Bonds will be made as described in APPENDIX G – “Book-Entry Only System” attached hereto.

The Series 2015AB Senior Lien Bonds are subject to optional redemption and mandatory sinking fund redemption prior to maturity. See “Redemption of the Series 2015AB Senior Lien Bonds” herein.

This cover page contains information for general reference only. Potential purchasers are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series 2015AB Senior Lien Bonds are offered when, as and if issued, subject to the approval of legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. Certain legal matters will be passed upon for the City by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel to the City, and by Michael N. Feuer, City Attorney, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California. It is anticipated that the Series 2015AB Senior Lien Bonds will be available for delivery to DTC in New York, New York on or about June __, 2015.

Siebert Brandford Shank & Co., L.L.C.
Backstrom McCarley Berry & Co., LLC

BofA Merrill Lynch
Morgan Stanley

Dated: May __, 2015

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful.

* Preliminary, subject to change.

MATURITY SCHEDULES

[\$[2015A Par]*

City of Los Angeles Wastewater System Revenue Bonds, Series 2015-A (Green Bonds)

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP† (Base: 53945C)
	\$	%	%	

\$ _____ % Term Bonds due June 1, 20__ Yield: _____ % CUSIP† No. 53945C _____

[\$[2015B Par]*

City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015-B

Year (June 1)	Principal Amount	Interest Rate	Yield	CUSIP† (Base: 53945C)
	\$	%	%	

\$ _____ % Term Bonds due June 1, 20__ Yield: _____ % CUSIP† No. 53945C _____

* Preliminary, subject to change.

† Copyright 2015, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the applicable Series 2015AB Senior Lien Bonds. Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Series 2015AB Senior Lien Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2015AB Senior Lien Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance and other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2015AB Senior Lien Bonds.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. 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 2015AB Senior Lien Bonds by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2015AB Senior Lien Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth in this Official Statement has been obtained from the City and other sources which are believed by the City to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the Series 2015AB Senior Lien Bonds, the Resolutions (as defined herein) and other documents summarized herein, are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions.

This Official Statement is submitted in connection with the issuance of the Series 2015AB Senior Lien Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2015AB SENIOR LIEN 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 2015AB SENIOR LIEN BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

The City maintains a website at www.lacity.org. The information presented therein is not a part of this Official Statement, is not incorporated by reference herein, and should not be relied upon in making an investment decision with respect to the Series 2015AB Senior Lien Bonds.

CITY OF LOS ANGELES

Mayor

Eric Garcetti

City Council

Gilbert Cedillo (District 1)	Nury Martinez (District 6)	Mike Bonin (District 11)
Paul Krekorian (District 2)	Felipe Fuentes (District 7)	Mitchell Englander (District 12)
Bob Blumenfield (District 3)	Bernard C. Parks (District 8)	Mitch O'Farrell (District 13)
Tom LaBonge (District 4)	Curren D. Price, Jr. (District 9)	José Huizar (District 14)
Paul Koretz (District 5)	Herb J. Wesson, Jr. (District 10)	Joe Buscaino (District 15)

City Officials

Michael N. Feuer, *City Attorney*
Ron Galperin, *City Controller*
Miguel A. Santana, *City Administrative Officer*
Antoinette Christovale, *City Treasurer*
Holly L. Wolcott, *City Clerk*

Board of Public Works

Kevin James, President	Matt Szabo, President Pro Tempore
Monica Rodriguez, Vice President	Heather Repenning, Commissioner
Mike Davis, Commissioner	

Bureau of Engineering
Gary Lee Moore, P.E.
City Engineer

Bureau of Sanitation
Enrique C. Zaldivar
Director

Office of Accounting
Victoria A. Santiago
Director

Special Services

CITY DEPARTMENT ISSUING DEBT
City Administrative Officer of the City of Los Angeles
Debt Management Group
Los Angeles, California

BOND COUNSEL
Norton Rose Fulbright US LLP
Los Angeles, California

DISCLOSURE COUNSEL
Hawkins Delafield & Wood LLP
Los Angeles, California

PAYING AGENT
Treasurer of the City of Los Angeles
Los Angeles, California

FINANCIAL ADVISORS
Public Resources Advisory Group
Montague DeRose and Associates, LLC

ESCROW AGENT
U.S. Bank National Association

VERIFICATION AGENT
[Verification Agent]

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OFFICIAL STATEMENT

**§[2015A Par]*
CITY OF LOS ANGELES
Wastewater System Revenue Bonds
Series 2015-A (Green Bonds)**

**§[2015B Par]*
CITY OF LOS ANGELES
Wastewater System Revenue Bonds,
Refunding Series 2015-B**

INTRODUCTION

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 hereto, and the documents described herein. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution, the City Charter and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Resolutions.

General

The §[2015A Par]* City of Los Angeles Wastewater System Revenue Bonds, Series 2015-A (Green Bonds) (the “Series 2015-A Senior Lien Bonds”), and the §[2015B Par]* City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015-B (the “Series 2015-B Senior Lien Bonds”) and, together with the Series 2015-A Senior Lien Bonds, the “Series 2015AB Senior Lien Bonds”) are being issued by the City of Los Angeles (the “City”) pursuant to the Charter of the City of Los Angeles (the “City Charter”), Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”), and the Wastewater System Revenue Bonds General Resolution, adopted by the Council of the City (the “City Council”) on November 10, 1987, as amended and supplemented (the “General Resolution”), including as amended and supplemented by the Twenty-Eighth Supplemental Resolution, adopted by the City Council on May __, 2015 (the “Twenty-Eighth Supplemental Resolution”) and, with respect to the Series 2015-B Senior Lien Bonds, Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the California Government Code (as amended, the “Refunding Law”). Under the General Resolution, the City has previously issued Senior Lien Bonds (the “Existing Senior Lien Bonds”) in the original aggregate principal amount of \$5,117,621,473.50, of which \$1,056,750,000 is Outstanding. See “Financial Operations of the Wastewater System – Outstanding Indebtedness” herein.

The proceeds of the Series 2015AB Senior Lien Bonds, together with certain available monies of the City, will be used to (i) finance the construction and improvement of the wastewater collection and treatment system of the City, (ii) refund certain outstanding Wastewater System Revenue Bonds (as defined herein), (iii) fund a deposit to the Reserve Fund, and (iv) pay certain costs of issuing the Series 2015AB Senior Lien Bonds. See “Plan of Finance” herein.

Under the Subordinate General Resolution adopted by the City Council on March 26, 1991, as amended and supplemented (the “Subordinate General Resolution”), the City has issued bonds

* Preliminary, subject to change.

("Subordinate Bonds") that have a lien on Revenues (herein defined) subordinate to that of the Senior Lien Bonds in the original aggregate principal amount of \$3,079,750,000, of which \$1,350,780,000 is Outstanding. Under the Subordinate General Resolution, the City has also authorized a maximum of \$400,000,000 aggregate principal amount of Subordinate Bonds in the form of commercial paper notes (the "CP Notes"). The maximum amount of CP Notes that may be Outstanding at any particular time under the existing Letters of Credit (the "Letters of Credit") for the CP Notes is \$200,000,000. There are currently \$110,000,000 in aggregate principal amount of CP Notes Outstanding. See "Financial Operations of the Wastewater System – Outstanding Indebtedness" herein.

In addition to the Series 2015AB Senior Lien Bonds, the City is planning to issue, subject to market conditions, approximately \$___ million additional Senior Lien Bonds to refund certain outstanding CP Notes and all or a portion of certain series of Senior Lien Bonds and approximately \$___ million additional Subordinate Bonds to refund certain Senior Lien Bonds and Subordinate Bonds on or about June 30, 2015. Additional Senior Lien Bonds and Subordinate Bonds may be issued pursuant to the provisions of the General Resolution and the Subordinate General Resolution, respectively, subject to satisfaction of the conditions precedent set forth therein. See "Plan of Finance" and "Security and Sources of Payment for the Series 2015AB Senior Lien Bonds – Additional Senior Lien Bonds" and "– Additional Subordinate Bonds" herein.

The System

The City owns and operates the System, which serves an approximately 600 square mile area with a population in excess of four million or approximately half of the population of Los Angeles County. The System has two distinct service areas: the Hyperion System and Terminal Island System (each as described herein). Total average daily flow during Fiscal Year 2014 was 363 million gallons per day. The System also provides wastewater conveyance, treatment and disposal services to 29 sanitation districts, cities, governmental entities and private businesses which adjoin the City. The System consists of more than 6,700 miles of sewers and interceptors, four treatment plants and various other facilities.

Security and Sources of Payment for the Series 2015AB Senior Lien Bonds

Series 2015AB Senior Lien Bonds. The Series 2015AB Senior Lien Bonds are revenue bonds secured by and payable from certain limited revenues of the City received from the ownership and/or operation of the System. The Series 2015AB Senior Lien Bonds, the Existing Senior Lien Bonds, and any other bonds issued in the future under the General Resolution (collectively, the "Senior Lien Bonds") are secured by a pledge of and first lien on (i) Revenues (defined below); and (ii) all moneys and securities held in the Reserve Fund, the Debt Service Fund (except for amounts segregated for the payment of specific Senior Lien Bonds that have become due and payable or that have been called for redemption, which amounts are held in trust for such specific Senior Lien Bonds only), and the Construction Funds. "Revenues" consist of all revenues of the City's Sewer Construction and Maintenance Fund (the "SCM Fund") and revenues otherwise attributable to the System, including earnings received from investments in the SCM Fund, the Debt Service Fund, the Reserve Fund and the Emergency Fund, provided that Revenues shall not include any amount received from the levy or collection of taxes, amounts designated for capital costs received under contracts with contracting agencies, moneys received as grants, earnings on the Construction Funds or the proceeds of borrowings or insurance. See "Security and Sources of Payment for the Series 2015AB Senior Lien Bonds" herein.

Pursuant to the General Resolution, Revenues in the SCM Fund are to be used on an ongoing basis to pay or provide for the ordinary and reasonable expenses of the operation and maintenance of the System including, without limitation, refunds and the reasonable expenses of management, repair and other expenses necessary to maintain and preserve the System in good repair and working order when

such amounts become due in the ordinary course of business. On or before the twenty-fifth day of each month, the City is to transfer amounts from the SCM Fund to the Debt Service Fund, Reserve Fund, and Emergency Fund (all held under the General Resolution for the Senior Lien Bonds), amounts sufficient to make the deposits therein required under the General Resolution.

Limited Obligations. The Series 2015AB Senior Lien Bonds are special, limited obligations of the City payable from the Revenues and amounts on deposit in the SCM Fund, Debt Service Fund, Reserve Fund and Construction Funds as defined in the General Resolution. The City is not obligated to make payment from any other source. The Series 2015AB Senior Lien Bonds are not payable from the General Fund of the City and are not a general obligation of the City, and neither the full faith and credit nor the taxing power of the City is pledged to the payment of any amounts due on the Series 2015AB Senior Lien 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,” “projected” 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 the City believes that such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The City 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.

Continuing Disclosure

For purposes of assisting the Underwriters in complying with Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission (the “Rule”), the City has agreed to provide audited financial statements of the City for the SCM Fund and other financial and operating data relating to the System, not later than the June 30 after the end of each Fiscal Year, commencing on June 30, 2016 for the report for Fiscal Year 2014-15, or if the Fiscal Year-end changes from June 30, not later than 365 days after the end of the City’s Fiscal Year, to the Electronic Municipal Market Access (“EMMA”) database maintained by the Municipal Securities Rulemaking Board (the “MSRB”), and to provide notices to the MSRB through EMMA of the occurrence of certain enumerated events, as required by the Rule. See “Continuing Disclosure” herein and Appendix H – “Form of Continuing Disclosure Certificate” attached hereto.

Miscellaneous

Copies of the resolutions and additional information may be obtained upon request from the Office of the City Administrative Officer, City of Los Angeles, 200 North Main Street, City Hall East, Room 1500, Los Angeles, California 90012, Attention: Debt Management Group, (213) 473-7500. Certain capitalized terms used herein have the meanings ascribed to such terms in Appendix B – “Glossary of Defined Terms” attached hereto. See also Appendix D – “Glossary of System Terms” attached hereto.

PLAN OF FINANCE

Series 2015-A Senior Lien Bonds. The proceeds of the Series 2015-A Senior Lien Bonds will be used to (i) finance the construction and improvement of the System, including environmentally beneficial projects or portions thereof, (ii) fund a deposit to the Reserve Fund, and (iii) pay certain costs of issuing the Series 2015-A Senior Lien Bonds.

The City has designated the capital improvements to be financed with the proceeds of the Series 2015-A Senior Lien Bonds as “Green Projects” based on the environmental benefits of these capital facilities. These projects include wastewater treatment facilities which support the overall treatment objective of meeting the discharge standards in the NPDES (as herein defined) permits, wastewater collection and pumping facilities which reduce sewage spills, water recycling projects and air quality projects that support the construction and operation of the wastewater facilities. Accordingly, the City has designated the Series 2015-A Senior Lien Bonds to be used to finance such projects as “Green Bonds.” The terms “Green Project” and “Green Bonds” are neither defined in nor related to provisions in the General Resolution. Owners of the Series 2015-A Senior Lien Bonds do not have any security other than as provided in the General Resolution nor do such owners of the Green Bonds assume any specific project risk related to any of the projects funded thereby.

The Green Bonds, as with all Senior Lien Bonds, are revenue bonds secured by a pledge of and first lien on Revenues and all amounts held in the Reserve Fund, the Debt Service Fund (except for amounts segregated for the payment of specific Senior Lien Bonds that have become due and payable or that have been called for redemption, which amounts are held in trust for such specific Senior Lien Bonds only), and the Construction Funds. The City assumes no obligation to ensure that those projects designated as Green Projects comply with any legal or other standards or principles that relate to Green Projects. The proceeds of the Green Bonds will be deposited into a segregated account. The City will file annual updates regarding the use of the proceeds of the Green Bonds on the EMMA website at <http://www.emma.msrb.org> by December 31 after the end of each Fiscal Year until the City completes of these projects, at which time no further updates will be provided. The information on this web site is not incorporated herein by this reference.

Series 2015-B Senior Lien Bonds. The proceeds of the Series 2015-B Senior Lien Bonds, together with certain available monies of the City, will be used to (i) current refund certain of the City’s Outstanding Wastewater System Revenue Bonds, Refunding Series 2005-A (the “Series 2005-A Senior Lien Bonds”) as further described below, (ii) fund a deposit to the Reserve Fund, and (iii) pay certain costs of issuing the Series 2015-B Senior Lien Bonds.

The following table sets forth the Series 2005-A Senior Lien Bonds being considered for refunding with proceeds of the Series 2015-B Senior Lien Bonds. The City will determine the maturities of the Series 2005-A Senior Lien Bonds to be refunded at the time of the pricing of the Series 2015-B Senior Lien Bonds. Any such Series 2005-A Senior Lien Bonds to be refunded will be redeemed approximately 30 days following the date of issuance of the Series 2015-B Senior Lien Bonds.

Maturity (June 1)	Outstanding Principal Amount	Principal to be Refunded	Redemp tion Price ⁽¹⁾	CUSIP ⁽²⁾
2029	\$ 2,455,000	\$	100%	53945CBV1
2030	2,570,000		100	53945CBW9
2031	2,705,000		100	53945CBX7
2032	2,830,000		100	53945CBY5
2034 [†]	23,725,000		100	53945CCB4
2035	<u>12,760,000</u>		100	53945CCC2
Total	<u>\$47,045,000</u>	\$		

[†] Term Bond maturing on June 1, 2034.

⁽¹⁾ Expressed as a percentage of the principal amount.

⁽²⁾ Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, managed on behalf of the American Bankers Association by Standard & Poor's. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the registered owners of the referenced bonds. Neither the City nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable bonds or as included herein.

To effect the refunding of the Series 2005-A Senior Lien Bonds (the portion thereof being refunded being referred to herein as the "Refunded Bonds"), the City intends to deposit into an escrow fund (the "Escrow Fund") to be held by U.S. Bank National Association (the "Escrow Agent") proceeds of the Series 2015-B Senior Lien Bonds and certain available monies on deposit under the Resolution relating to the Refunded Bonds. Amounts on deposit in the Escrow Fund, when invested in the securities described below, will be sufficient to redeem such Series 2005-A Senior Lien Bonds on their date of redemption at a redemption price equal to the principal amount of the Refunded Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium. In connection with the refunding of the Series 2005-A Senior Lien Bonds, the City intends to purchase or direct the Escrow Agent to purchase Government Obligations, which are defined in the General Resolution to be (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America and (ii) securities or receipts evidencing ownership interests in obligations or specific portions (such as principal or interest) of obligations described in (i). Such obligations (the "Defeasance Securities") will be held by the Escrow Agent. The Escrow Fund will be established under an escrow deposit agreement (the "Escrow Agreement") between the City and the Escrow Agent. The Defeasance Securities will be available only for the payment of the Refunded Bonds. After the deposit of the monies and Defeasance Securities into the Escrow Fund as described above, the Refunded Bonds will no longer be secured by or entitled to the benefits of the General Resolution, except for the purposes of payment of such Refunded Bonds from the moneys and Defeasance Securities held in the Escrow Account therefor.

Additional 2015 Issuance. In addition to the Series 2015AB Senior Lien Bonds, the City is planning to issue, subject to market conditions, approximately \$___ million additional Senior Lien Bonds to refund certain outstanding CP Notes (the "Series 2015-C Senior Lien Bonds"), approximately \$___ million additional Senior Lien Bonds to refund all or a portion of certain series of Senior Lien Bonds and

Subordinate Bonds (the “Series 2015-D Senior Lien Bonds”), and approximately \$__ million additional Subordinate Bonds to refund certain Senior Lien Bonds and Subordinate Bonds (the “Series 2015-A Subordinate Bonds”) on or about June 30, 2015.

ESTIMATED SOURCES AND USES OF FUNDS

The Series 2015 Senior Lien Bond proceeds, together with certain other amounts, are expected to be applied as set forth below:

	Series 2015-A Senior Lien Bonds	Series 2015-B Senior Lien Bonds	Total
Estimated Sources of Funds			
Principal Amount	\$	\$	\$
Original Issue Premium			
Release from the Debt Service Fund			
Total	<u>\$</u>	<u>\$</u>	<u>\$</u>
Estimated Uses of Funds			
Deposit to Reserve Fund	\$	\$	\$
Deposit to Construction Fund			
Deposit to Escrow Fund			
Costs of Issuance ⁽¹⁾			
Total	<u>\$</u>	<u>\$</u>	<u>\$</u>

⁽¹⁾ Includes underwriters’ discount, financial advisors fees and expenses, rating agency fees, escrow agent fees, verification agent fees, bond counsel fees and expenses, disclosure counsel fees and expenses, printing costs and other miscellaneous expenses.

DESCRIPTION OF THE SERIES 2015AB SENIOR LIEN BONDS

The Series 2015AB Senior Lien Bonds will be dated and will bear interest from their date of delivery. Interest on the Series 2015AB Senior Lien Bonds will be payable semi-annually on June 1 and December 1, commencing on December 1, 2015. Interest will be calculated on the basis of a year of 360 days and twelve 30-day months. The Series 2015AB Senior Lien Bonds will be issuable as fully-registered bonds, will mature in the principal amounts in each year (subject to prior redemption), and will bear interest at the respective rates per annum as set forth on the inside cover of this Official Statement.

The Series 2015AB Senior Lien Bonds 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 2015AB Senior Lien Bonds. Ownership interests in the Series 2015AB Senior Lien Bonds may be purchased in book-entry form only. So long as DTC or its nominee is the Owner of the Series 2015AB Senior Lien Bonds, payments of the principal of, redemption premium, if any, and interest on the Series 2015AB Senior Lien Bonds will be made as described in Appendix G – “Book-Entry Only System” attached hereto.

REDEMPTION OF THE SERIES 2015AB SENIOR LIEN BONDS

Redemption of the Series 2015AB Senior Lien Bonds

Optional Redemption.* The Series 2015-A Senior Lien Bonds maturing before June 1, 20__ are not subject to redemption before their stated maturities. The Series 2015-A Senior Lien Bonds maturing on or after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, pro rata among maturities and by lot within any one maturity if less than all of the Series 2015-A Senior Lien Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption price equal to the principal amount of the Series 2015-A Senior Lien Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

The Series 2015-B Senior Lien Bonds maturing before June 1, 20__ are not subject to redemption before their stated maturities. The Series 2015-B Senior Lien Bonds maturing on or after June 1, 20__ are subject to redemption, as a whole or in part as designated by the City, or, absent such designation, pro rata among maturities and by lot within any one maturity if less than all of the Series 2015-B Senior Lien Bonds of such maturity are to be redeemed, prior to their respective maturity dates, at the option of the City, on any date on or after June 1, 20__, at a redemption price equal to the principal amount of the Series 2015-B Senior Lien Bonds to be redeemed plus accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption.* The Series 2015-A Senior Lien Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter, at a redemption price equal to the principal being redeemed, without premium, from mandatory sinking account payments which have been deposited in the debt service fund created for the Series 2015-A Senior Lien Bonds, in the principal amounts set forth below (subject to adjustment in the event of an optional redemption of the Series 2015-A Senior Lien Bonds, as provided in the Twenty-Eighth Supplemental Resolution):

Series 2015-A Senior Lien Term Bonds Maturing June 1, 20__	
Redemption Date (June 1)	Principal Amount
	\$

(maturity)

The Series 2015-B Senior Lien Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption prior to maturity, commencing on June 1, 20__, and on each June 1 thereafter, at a redemption price equal to the principal being redeemed, without premium, from mandatory sinking account payments which have been deposited in the debt service fund created for the Series 2015-B Senior Lien Bonds, in the principal amounts set forth below (subject to adjustment in the event of an optional redemption of the Series 2015-B Senior Lien Bonds, as provided in the Twenty-Eighth Supplemental Resolution):

* Preliminary, subject to change.

Series 2015-B Senior Lien Term Bonds Maturing June 1, 20__

Redemption Date (June 1)	Principal Amount
-------------------------------------	-------------------------

\$

(maturity)

Selection of Series 2015AB Senior Lien Bonds for Redemption. The Series of Series 2015AB Senior Lien Bonds that are subject to optional redemption will be selected among such maturities as the City may designate, or, absent such designation, shall be redeemed pro rata among maturities. The Series of Series 2015AB Senior Lien Bonds shall be redeemed by lot within any one maturity, in any manner the City shall deem appropriate.

Notice of Redemption of Series 2015AB Senior Lien Bonds

At least 20 days and no more than 60 days before each date of redemption, the City will give notice by mail or telecopy or other electronic means of communication to each registered owner of a Series 2015AB Senior Lien Bond to be redeemed at the owner's registered address. So long as DTC is the registered owner of Series 2015AB Senior Lien Bonds to be redeemed, notice of redemption shall be sent to DTC. Failure to give any required notice of redemption will not affect the validity of the call for redemption of any Series 2015AB Senior Lien Bond in respect of which no failure occurs.

The notice of redemption shall (i) specify the Series 2015AB Senior Lien Bonds to be redeemed, the redemption date, the redemption prices, or if applicable, a description of the mechanism or method for obtaining the redemption price and the place or places where amounts due upon such redemption will be payable and, if less than all of the Series 2015AB Senior Lien Bonds of a Series are to be redeemed, the numbers of the Series 2015AB Senior Lien Bonds, and the portions of Series 2015AB Senior Lien Bonds, to be redeemed; (ii) state any condition to such redemption or, if applicable, a description of the mechanism or method for determining the redemption price; (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Series 2015AB Senior Lien Bonds to be redeemed shall cease to bear interest and, if at any time the Series 2015 Bonds to be redeemed are no longer book-entry bonds, such notice of redemption shall further contain the following information: (i) the CUSIP numbers of all Series 2015AB Senior Lien Bonds or portions thereof being redeemed; (ii) the date of original issuance of the Series 2015AB Senior Lien Bonds; (iii) the rate of interest borne by the Series 2015AB Senior Lien Bonds being redeemed; (iv) the maturity date of the Series 2015AB Senior Lien Bonds being redeemed; and (v) any other descriptive information to identify accurately the Series 2015AB Senior Lien Bonds or portions thereof being redeemed.

Any notice of redemption may be conditional, other than notice of redemption from mandatory sinking fund payments, and may be rescinded by written notice given by the City. Upon such rescission, the City shall give notice of such rescission in the same manner (*i.e.*, by Mail or by telecopy or other electronic means of communication), and to the same persons, as notice of such redemption was given. Any optional redemption of the Series 2015AB Bonds and notice thereof shall be rescinded and cancelled if for any reason on the date fixed for redemption moneys are not available and held in trust for such purpose in an amount sufficient to pay in full on such date the principal of, interest, and any premium due on such Series 2015AB Bonds called for redemption.

Effect of Redemption of Series 2015AB Senior Lien Bonds

On the date designated for redemption, notice having been given in the manner and under the conditions provided in the General Resolution and moneys for payment of the redemption price being held in trust to pay the redemption price, the Series 2015AB Senior Lien Bonds called for redemption shall become due and payable, interest on such Series 2015AB Senior Lien Bonds shall cease to accrue, such Series 2015AB Senior Lien Bonds shall cease to be entitled to any lien, benefit or security under the General Resolution or the Subordinate General Resolution, as applicable, and the owners of such Series 2015AB Senior Lien Bonds shall have no rights in respect thereof except to receive payment of the redemption price.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015AB SENIOR LIEN BONDS

Sources of Payment

All Revenues received by the City from the ownership and operation of the System (less collection fees paid to the Department of Water and Power (“DWP”)) are deposited, after collection, into the SCM Fund held by the City Treasurer. The SCM Fund has been operated as a special fund of the City since it was created by an ordinance adopted by the City Council in 1970. For the City’s internal purposes, the City has also created a Sewer Operation and Maintenance Fund and a Sewer Capital Fund into which amounts from the Sewer Construction and Maintenance Fund may be transferred, and the City may create other funds into which Revenues (as defined below) are deposited or held. All of such funds are collectively referred to as the “SCM Fund,” and amounts in all of such funds will be held and used as the SCM Fund. All expenditures related to the construction, operation, maintenance and repair of the System are accounted for in the SCM Fund. Audited financial statements of the SCM Fund for the Fiscal Years ended June 30, 2014 and 2013 are attached as Appendix E hereto. The City is required to prepare annually audited financial statements of the SCM Fund.

“Revenues” means all revenues of the SCM Fund and revenues otherwise attributable to the System, including, but not limited to, those revenues currently arising as a result of the imposition of sewer service charges, industrial waste surcharge and inspection fees, sewage disposal contract charges, sewerage facility charges and bonded sewer fees and all other income and receipts derived by the City from the ownership or operation of the System or arising from the System and including amounts attributable to extensions, additions and improvements to the System and all other amounts received by the City in payment for providing wastewater collection, treatment and/or disposal services; and all earnings received from the investment of the SCM Fund, the Debt Service Fund, the Reserve Fund and the Emergency Fund; provided, however, that Revenues do not include:

- (i) any amount received from the levy or collection of taxes;
- (ii) amounts received under contracts or agreements with governmental or private entities and designated for capital costs;
- (iii) moneys received as grants from the United States of America or from the State of California;
- (iv) earnings received from the investment of the Construction Funds;
- (v) the proceeds of borrowings; and

- (vi) proceeds of insurance.

Pledge of Revenues

Under the terms of the General Resolution, the City has heretofore pledged the Revenues to secure the payment of the Outstanding Senior Lien Bonds. The City also has pledged to the payment of the Senior Lien Bonds all moneys and securities held in the Reserve Fund, the Debt Service Fund (except for amounts segregated for the payment of specific Senior Lien Bonds that have become due and payable or that have been called for redemption, which amounts are held in trust for such specific Senior Lien Bonds only) and the Construction Funds as well as all Revenues held in the SCM Fund. Such pledge is for the equal and proportionate benefit and security of all Senior Lien Bonds regardless of the time or times of their issuance or maturity, and all Senior Lien Bonds shall be of equal rank without priority as to any Senior Lien Bond over any other Senior Lien Bond. Notwithstanding the foregoing, the General Resolution permits the issuance of obligations secured by the Revenues on a subordinated basis.

The Revenue Bond Law, prior to amendment in 1990, provided that the payment of principal of and interest on bonds issued pursuant to the Revenue Bond Law would be secured by an “exclusive” pledge, charge and lien upon “all” of the revenues of the financed enterprise. Such provision has been amended to delete the references to an exclusive pledge of all of the revenues. The City, at the time of the adoption of the General Resolution, (1) limited the revenues which are pledged to pay the General Resolution Bonds to those revenues within the definition of Revenues as set forth above; (2) granted the lien to secure all Additional Bonds, whether issued under the Revenue Bond Law or under other authority; and (3) provided for the issuance of subordinated obligations which may be secured by a subordinated lien on the Revenues.

In the General Resolution, the City represents and states that it has not previously pledged the Revenues, and the City covenants that, until all of the Senior Lien Bonds and the interest thereon shall have been paid or are deemed to have been paid, it will not (except for Additional Bonds issued as provided in the General Resolution) incur any obligations payable from the Revenues prior to or on a parity with the payment of the Senior Lien Bonds, except for operation and maintenance expenses, and will not grant any prior or parity pledge of Revenues or voluntarily create or permit to be created any charge or lien on the Revenues ranking prior to or on a parity with the charge and lien which secures all Senior Lien Bonds issued under the General Resolution. The City may, however, create or permit to be created a charge and lien on the Revenues ranking junior and subordinate to the charge or lien of the Senior Lien Bonds. The City also covenants in the Resolutions that it will continue to provide the System as the primary system and as a complete and operational system for the collection, transportation, treatment and disposal of sewage, wastewater and industrial wastewater within the City and will not sell, transfer or otherwise dispose of the System or any part thereof essential to the proper operation of the System except under the conditions described in the General Resolution. See Appendix C – “Summary of Certain Provisions of the Resolutions” attached hereto.

No Pledge of Refundable Credits

The City previously issued \$177,420,000 aggregate principal amount of Wastewater System Revenue Bonds Series 2010-A (the “Series 2010-A Senior Lien Bonds”) and designated such bonds as “Build America Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009. The City previously issued \$89,600,000 aggregate principal amount of Wastewater System Revenue Bonds Series 2010-B (the “Series 2010-B Senior Lien Bonds”) and designated such bonds as “Recovery Zone Economic Development Bonds” under the provisions of the American Recovery and Reinvestment Act of 2009. Prior to March 1, 2013, the City received periodic payments (“Refundable Credits”) from the United States Treasury equal to 35% of the interest payable on the Series 2010-A Senior Lien Bonds

and periodic Refundable Credits from the United States Treasury equal to 45% of the interest payable on the Series 2010-B Senior Lien Bonds. As a result of the Sequester (herein defined) described under “Risk Factors – Effect of Federal Sequestration on Refundable Credits,” the City expects to receive an estimated \$430,072 reduction in Refundable Credits in connection with the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds for the current federal fiscal year ending September 30, 2015. Until further action is taken by Congress, Sequestration will continue and there could be additional reductions for future years through and including federal fiscal year 2021.

The Refundable Credits constitute amounts payable by the Federal government under Section 6431 of the Code, and which, in the case of the Series 2010-A Senior Lien Bonds, the City has elected to receive under Section 54AA(g)(1) of the Code. All of the Refundable Credits received by the City are to be deposited upon receipt into the debt service account established with respect to the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds to which they relate, and are pledged to the payment of the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds only. The Refundable Credits are not pledged to the payment of the Series 2015AB Senior Lien Bonds. The Refundable Credits are included in the calculation of Revenues under the General Resolution. See “– Amendment to the Resolutions Relating to the Refundable Credits” and “Risk Factors – Effect of Federal Sequestration on Refundable Credits” herein.

Flow of Funds

The SCM Fund. The City has agreed under the General Resolution that so long as any Bonds remain Outstanding it will continue to maintain the SCM Fund or another special fund or special funds into which all Revenues will be deposited and any and all such funds into which Revenues are deposited by the City shall be maintained and the amounts therein held and used as provided in the General Resolution.

Pursuant to the General Resolution, the City has agreed that it will deposit all Revenues (except the earnings on the Debt Service Fund (as defined in the General Resolution) created and held under the General Resolution and the Reserve Fund (as defined in the General Resolution) created and held under the General Resolution for which the special provision is made in the General Resolution and except for the earnings on funds created and held under Supplemental Resolutions for which special provision may be made) as collected, into the SCM Fund. All Revenues in the SCM Fund shall be held by the City in trust and applied as provided in the General Resolution, and pending such application, such amounts shall be subject to a lien and charge in favor of the Holders of the Bonds issued and Outstanding under the General Resolution.

Payment of Operation and Maintenance Expenses. Prior to making deposits into the Debt Service Fund, Reserve Fund or Emergency Fund, Revenues on deposit to the credit of the SCM Fund will be used to pay or provide for the ordinary and reasonable expenses of the operation and maintenance of the System when such amounts become due in the ordinary course of business, including, without limitation, refunds, the reasonable expenses of management, and repair and other expenses necessary to maintain and preserve the System in good repair and working order.

Deposits to the Debt Service Fund, Reserve Fund and Emergency Fund. On or before the twenty-fifth day of each month, the City must withdraw from the SCM Fund an amount sufficient to make the deposits described in (a), (b) and (c) below and to deposit such amount to the credit of the following funds and in the priority listed. If in any month available moneys are insufficient to make all of such deposits, moneys will be deposited first to the Debt Service Fund and, thereafter, to the Reserve Fund and, thereafter, to the Emergency Fund. Deposits from the SCM Fund are required to be made as follows:

(a) to the credit of the Debt Service Fund, an amount equal to the Aggregate Accrued Interest and Aggregate Accrued Principal for the current calendar month, less any Excess in the fund on the first day of the month, plus any Deficiency existing on the first day of such calendar month, plus any amount of interest or principal on Bonds which has become due and has not been paid and for which there are insufficient funds in the Debt Service Fund or another special fund or account to be used to make such payment;

(b) to the credit of the Reserve Fund, the following amounts, if any: (i) if, as of the most recent valuation of the Reserve Fund, the value thereof was less than the Reserve Fund Requirement and the amount of such deficiency has not previously been restored, then commencing with the first month of the first Fiscal Year following such valuation and continuing until such deficiency has been eliminated (which may be by subsequent valuation), one-twelfth of the difference between the Reserve Fund Requirement and the value of the Reserve Fund on such valuation date, plus (ii) if any amount has been withdrawn from the Reserve Fund during the preceding 12 months to prevent a default on the Bonds or to make a deposit into the Rebate Fund and the Reserve Fund has not subsequently been restored to the Reserve Fund Requirement, an amount equal to one-twelfth of the amount so withdrawn, plus (iii) if any Bonds have been issued during the preceding 12 months and, at the time of such issuance, the City did not deposit into the Reserve Fund the full amount necessary to increase the amount in the Reserve Fund to the Reserve Fund Requirement and the amount of such deficiency has not previously been deposited into the Reserve Fund, an amount equal to one-twelfth of the difference between the Reserve Fund Requirement due upon the issuance of such series of Bonds and the amount deposited into the Reserve Fund at the time of issuance; and

(c) to the credit of the Emergency Fund, the following amounts, if any: (i) if, as of the most recent valuation of the Emergency Fund, the value thereof was less than the Emergency Fund Requirement and the amount of such deficiency has not previously been restored then commencing with the first month of the first Fiscal Year following such valuation and continuing until such deficiency has been eliminated (which may be by subsequent valuation), one-twelfth of the difference between the Emergency Fund Requirement and the value of the Emergency Fund on such valuation date, plus (ii) if any amount has been withdrawn from the Emergency Fund during the preceding 12 months to pay expenses arising from an emergency or a liability claim and the Emergency Fund has not subsequently been restored to the Emergency Fund Requirement, one-twelfth of the amount so withdrawn.

See “Security and Sources of Payment for the Series 2015AB Senior Lien Bonds – Reserve Fund,” “– Emergency Fund” and “– Amendment to General Resolution Relating to the Reserve Fund” herein.

Moneys Remaining in the SCM Fund. In addition to paying operation and maintenance expenses and making the deposits to the Debt Service Fund, Reserve Fund and Emergency Fund, amounts in the SCM Fund may, from time to time, be used to pay capital expenses of the System or may be used for any other lawful purpose related to the System, but if and only if all of the following conditions are met prior to any such withdrawal:

(a) all operation and maintenance expenses are being or have been paid as they become due;

(b) the monthly deposits to be made pursuant to certain provisions of the General Resolution for all prior months have been made in full and no Deficiency (as defined in the General Resolution) exists with respect to the Debt Service Fund as defined in and created under the General Resolution;

(c) the amounts which are or will be required to be deposited pursuant to certain provisions of the General Resolution during the then current calendar month are deposited as provided in the General

Resolution or such amounts are segregated with the SCM Fund to be used to make such deposits prior to the withdrawal or use of funds for other purposes under this paragraph; and

(d) after such withdrawal, there will remain in the SCM Fund an amount at least equal to the amount reasonably estimated by the City to be needed to provide for the System's operation and maintenance expenses during the next 45 days.

Any amounts in the SCM Fund which are not Revenues may be withdrawn at any time and without restriction and such amounts may be withdrawn without regard to the requirements of the preceding paragraph, it being the intent of the General Resolution, that the various funds described in the General Resolution and the balances required to be maintained in the SCM Fund are to be maintained from the Revenues.

Rate Covenant

The City has covenanted in the General Resolution that it will, at all times while any of the Senior Lien Bonds remain Outstanding, establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System so that in each Fiscal Year the Revenues will be at least sufficient to pay the following amounts: (1) the interest on and principal of the Outstanding Senior Lien Bonds as they become due and payable; (2) all other payments required for compliance with the terms of the General Resolution and of any Supplemental Resolution including, but not limited to, the required deposits to the Debt Service Fund, Reserve Fund and Emergency Fund; (3) all other payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Revenues; and (4) all current operation and maintenance costs of the System (but not including such operation and maintenance costs as are scheduled to be paid by the City from moneys other than Revenues). The City further agrees that it will establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System so that during each Fiscal Year the Net Revenues are equal to at least 125 percent of the actual debt service becoming due on Outstanding Senior Lien Bonds in such year. "Net Revenues" for any given period consist of the Revenues for such period less the Expenses for such period, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets. "Expenses" consist of the total operating expenses of the System as determined in accordance with generally accepted accounting principles, except to the extent such items are included in such operating expenses, depreciation, interest on Outstanding Senior Lien Bonds and amortization of financing expenses.

Additional Senior Lien Bonds

In addition to the Existing Senior Lien Bonds and the Series 2015AB Senior Lien Bonds, the City may authorize one or more other series of Additional Senior Lien Bonds which are secured by the pledge of Revenues made under the General Resolution equally and ratably with Senior Lien Bonds previously issued.

As a condition to the issuance of Additional Senior Lien Bonds, except with respect to certain refunding bonds, the City shall first be required to obtain a certificate or certificates prepared by a Consultant or by Consultants showing (i) that the Net Revenues for the immediately preceding Fiscal Year or for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of the proposed Additional Senior Lien Bonds were at least equal to 125 percent of the Maximum Annual Debt Service for all Senior Lien Bonds which will be Outstanding immediately after the issuance of the proposed Bonds, and (ii) that the estimated Net Revenues for the Fiscal Year immediately following the date of issuance of such Series of Senior Lien Bonds will be at least equal to 125 percent of Maximum Annual Debt Service for all Senior Lien Bonds which will be Outstanding immediately after the issuance of the proposed

Senior Lien Bonds. For purposes of preparing the a certificate described above, the Consultant may rely upon financial statements prepared by the City that have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available.

For purposes of the computations to be made as described in subsection (i) and in subsection (ii) of the preceding paragraph, the determination of Net Revenues may take into account as adjustments any increase in rates and charges and shall take into account any reductions in such rates and charges which relate to the System and which have been authorized by the City to be implemented and which will for purposes of the test described in (i) of the preceding paragraph, be effective prior to or at the time of issuance of such proposed Bonds and for purposes of the test described in (ii) of the preceding paragraph be effective during the Fiscal Year for which such estimate is made.

Subordinate Bonds

The City has issued under the Subordinate General Resolution \$3,079,750,000 original aggregate principal amount of Subordinate Bonds, of which \$1,350,780,000 is Outstanding. Under the Subordinate General Resolution, the City has also authorized a maximum of \$400,000,000 aggregate principal amount of Subordinate Bonds in the form of CP. The maximum amount of CP Notes that may be Outstanding at any particular time under the existing Letters of Credit (the "Letters of Credit") for the CP Notes is \$200,000,000. CP Notes are currently Outstanding in the aggregate principal of [\$110,000,000]. The maturing principal of all of such CP Notes will be paid as they become due and payable with proceeds of the Series 2015-A Senior Lien Bonds, as described herein. See "Plan of Finance – Series 2015-B Senior Lien Bonds," "– Additional 2015 Issuance" and "Financial Operations – Outstanding Indebtedness" herein.

Refunding Senior Lien Bonds

Notwithstanding the provisions described above, the General Resolution provides that additional series of Senior Lien Bonds may be issued for the purpose of refunding any Outstanding Senior Lien Bonds without compliance with the tests set forth above if, prior to the issuance of such Senior Lien Bonds, an Authorized City Representative shall have delivered a certificate showing that the Maximum Annual Debt Service on all Senior Lien Bonds Outstanding after the issuance of the refunding Senior Lien Bonds will be equal to or less than the Maximum Annual Debt Service on all Senior Lien Bonds Outstanding prior to the issuance of such Senior Lien Bonds.

Books and Accounts

The City prepares annual financial statements of the SCM Fund in accordance with generally accepted accounting principles which are audited by an independent certified public accountant. See Appendix E – "City of Los Angeles Sewer Construction and Maintenance Fund Financial Statements and Required Supplementary Information for the Fiscal Years ended June 30, 2014 and 2013 (With Independent Auditor's Report Thereon) and Debt Service Compliance Report for the Fiscal Year ended June 30, 2014 (With Independent Auditor's Report Thereon)" attached hereto. The City will make the financial statements available for examination by any Bondholder or any Beneficial Owner and will furnish a copy of the financial statements to any Bondholder or any Beneficial Owner upon request. The City may charge a fee to cover the cost of copying.

The City is also required to prepare and adopt a budget for the SCM Fund annually prior to the beginning of the Fiscal Year and a five-year capital plan or capital budget setting forth in reasonable detail the amount expected to be expended in each year for capital needs of the System and the purposes for which such amounts are expected to be expended.

Operation and Maintenance of the System

The City covenants that it will maintain and preserve the System in good repair and working order, in conformity with standards customarily followed for municipal wastewater systems of like size and character. The City also covenants that it will from time to time make all necessary and proper repairs, renewals, replacements and substitutions to the properties of the System, so that at all times business carried on in connection with the System will and can be properly and advantageously conducted in an efficient manner and at reasonable cost.

Reserve Fund

Under the terms of the General Resolution, the Reserve Fund is required to be created and funded in an amount equal to Maximum Annual Debt Service on all Senior Lien Bonds issued and Outstanding under the General Resolution. Upon issuance of the Series 2015AB Senior Lien Bonds, amounts in the Reserve Fund will be at least equal to the Reserve Requirement, which amount is \$_____.

Moneys held in the Reserve Fund are to be used for the purpose of paying principal and interest on the Senior Lien Bonds if on any principal or interest payment date the amounts in the Debt Service Fund available therefor are insufficient to pay in full the amounts then due. Moneys held in the Reserve Fund may also be used to make any deposit required to be made to a Rebate Fund if the City does not have other funds available from which such deposit can be made.

The City may satisfy the Reserve Fund Requirement in whole or in part by depositing into the Reserve Fund a Reserve Fund Insurance Policy that satisfies the requirements of the General Resolution. Amounts in the Reserve Fund in excess of the Reserve Fund Requirement are to be transferred to the Debt Service Fund for the Senior Lien Bonds. A "Reserve Fund Insurance Policy" is an insurance policy, a letter of credit or surety bond deposited in the Reserve Fund in lieu of or partial substitution for cash or securities. Debt backed by the entity providing such Reserve Fund Insurance Policy shall be rated in one of the two highest classifications by both Moody's and S&P (without reference to gradations thereof such as "plus" or "minus"). The Reserve Fund does not currently include any Reserve Fund Insurance Policy; it is fully cash funded.

The City shall annually, on or about January 15, value the Reserve Fund on the basis of the market value thereof. If upon any valuation, the value of the Reserve Fund exceeds the Reserve Fund Requirement, the excess amount shall be withdrawn and deposited into the Debt Service Fund; if the value is less than the Reserve Fund Requirement, additional deposits shall be made to the Reserve Fund. For purposes of determining the amount on deposit in the Reserve Fund, any Reserve Fund Insurance Policy shall be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, as reduced by any payment made thereunder and not reinstated.

At such time as a Series of Senior Lien Bonds is to be paid in full or deemed to be paid in full, if, as a result, the amount in the Reserve Fund will exceed the Reserve Fund Requirement, the excess may at such time be used to pay or provide for the payment of the Senior Lien Bonds of such Series.

See "- Amendment to General Resolution Relating to the Reserve Fund" herein.

Emergency Fund

In 1987, the City established an Emergency Fund in connection with the issuance of the initial series of Bonds and deposited therein \$5 million. The City has never withdrawn money from the Emergency Fund and the Emergency Fund is currently funded at its original amount of \$5 million.

Amounts in the Emergency Fund may be used by the City, if other funds are not readily available and sufficient, to pay extraordinary and unexpected repair or replacement expenses of the System or liability claims related to the System. Amounts will be withdrawn from the Emergency Fund only after delivery to the Treasurer of a certificate signed by an Authorized City Representative stating that an extraordinary and unexpected event has occurred or that an amount is due as a result of a liability claim, that the expense resulting from such event or the claim which is to be paid is in excess of \$500,000, that other funds are not readily available to pay such expense or claim, and that the expenditure of such funds has been duly authorized in accordance with City procedures. The Treasurer will annually, on or about January 15 of each year, and at such other times as the City deems appropriate, value the Emergency Fund on the basis of the market value thereof. If, upon any valuation of the Emergency Fund, the value thereof is less than the Emergency Fund Requirement or if the City withdraws funds from the Emergency Fund and such withdrawal reduces the balance in such fund below the Emergency Fund Requirement, then deposits shall be made into the Emergency Fund from the SCM Fund as provided in the General Resolution. Such deposits will be made after deposits to the Debt Service Fund and Reserve Fund pursuant to the General Resolution and prior to the withdrawal or use of funds for the purpose of paying or providing for the payment of Subordinate Bonds. See "Security and Sources of Payment for the Series 2015AB Senior Lien Bonds – Flow of Funds" herein.

Insurance and Condemnation

The City agrees that it will maintain commercial insurance or provide a self-insurance reserve against loss or damage to the System from fire, storm or other causes to the extent that such insurance or reserves are customary for sewer systems in metropolitan areas. However, the City is not required to maintain insurance against earthquake damage if it determines that earthquake insurance is not available on the open market, from reputable companies at a reasonable price. The City does not currently maintain earthquake insurance on the System and does not anticipate obtaining such coverage in the future. The City is not required to maintain liability insurance or self-insurance reserves in lieu of liability insurance in any period for which the City agrees to hold the SCM Fund harmless from all general, automobile, and public liability claims filed during such period.

The City carries commercial insurance with an equipment breakdown limit of \$100 million for loss to boiler and machinery, excluding damage caused by earthquake and flood. The deductible for this policy is \$1 million and is paid from amounts in the SCM Fund. The City carries all risk property coverage with limits of \$1 billion for damage to real and personal property, excluding damage caused by earthquake and flood. The deductible for this policy is \$1 million which is covered by the SCM Fund. The City carries property terrorism coverage with limits of \$100 million for certified and non-certified acts of terrorism. The deductible for this policy is \$100,000 and is paid from amounts in the SCM Fund.

The General Resolution provides that the proceeds of any property damage insurance will be applied to the restoration, replacement or reconstruction of the property or facility lost or damaged, unless the City determines that such property or facility is not necessary to the efficient or proper operation of the System and therefore determines not to restore, replace or reconstruct such property or facilities. Any proceeds of such insurance not applied to restoration, replacement or reconstruction or remaining after such work is completed will be deposited in the SCM Fund and be available for other proper uses of funds deposited in the SCM Fund. Proceeds of any liability insurance will be applied by the City in satisfaction of the applicable claim. If the City has elected to self-insure its property damage risks, then, unless the City determines not to restore, replace or reconstruct such property or facilities, amounts in the self-insurance fund will be withdrawn and used to restore, replace or reconstruct the property or facility lost or damaged as a result of a casualty for which such fund was created. If the City has elected to self-insure its liability risk, then amounts in the self-insurance fund of the SCM Fund will be withdrawn and applied in satisfaction of claims arising as a result of events for which such fund was created.

The General Resolution provides that if any property or facilities comprising part of the System will be taken through the exercise of the power of eminent domain, the City will apply the proceeds of any award received on account of such taking to the replacement of the property or facilities so taken, unless the City determines that such property or facility is not necessary to the efficient or proper operation of the System and therefore determines not to replace such property or facilities. Any proceeds of such award not applied to replacement or remaining after such work has been completed will be deposited in the SCM Fund and be available for other proper uses of funds deposited in the SCM Fund.

Amendment to the Resolutions Relating to the Refundable Credits

The City has proposed to amend each of the Resolutions to provide for an offset to Revenues in the amount of the Refundable Credits (the amendments being referenced herein as the “Refundable Credits Amendments”). The Resolutions, as amended, would provide that (i) for the purpose of calculating Maximum Annual Debt Service, in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Subordinate Bonds or Senior Lien Bonds, as applicable, that were issued as Build America Bonds or Recovery Zone Economic Development Bonds (collectively, “Direct Subsidy Bonds”), such amount shall be reduced by an amount equal to the Refundable Credits the City is scheduled to receive with respect to such Subordinate Bonds issued as Direct Subsidy Bonds or Senior Lien Bonds issued as Direct Subsidy Bonds, as applicable, during each such twelve-month period ending June 30 (and to avoid double counting, an equivalent amount shall be deducted from Revenues for the purpose of such calculation); and (ii) with respect to the Rate Covenant, for the purpose of calculating actual debt service becoming due on Outstanding Senior Lien Bonds (in the case of the amendment to the General Resolution), or Outstanding Senior Lien Bonds and Subordinate Bonds (in the case of the amendment to the Subordinate General Resolution), in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Subordinate Bonds or Senior Lien Bonds, as applicable, that were issued as Direct Subsidy Bonds, such amount shall be reduced by an amount equal to the Refundable Credits the City is scheduled to receive with respect to Subordinate Bonds or Senior Lien Bonds, as applicable, during each such twelve-month period ending June 30 (and to avoid double counting, an equivalent amount shall be deducted from Revenues for the purpose of such calculation).

The Refundable Credits Amendments are not yet operative. These proposed amendments shall become operative on the date on which the written consent of the Owners of not less than 51% in aggregate principal amount of Outstanding Senior Lien Bonds and of each Insurer and Credit Provider of all Outstanding Senior Lien Bonds and the written consent of the Owners of not less than 51% in aggregate principal amount of Outstanding Subordinate Bonds and of each Insurer and Credit Provider of all Subordinate Lien Bonds has been obtained, and the other requirements of the General Resolution and Subordinate General Resolution, as applicable, have been satisfied. Purchasers of bonds issued on and after October 21, 2010, including purchasers of the Series 2015AB Senior Lien Bonds, will be deemed to have granted their consent to the proposed amendments by their purchase of such bonds. It is expected that the required consents will be obtained for the Refundable Credits Amendments upon the issuance of the Series 2015AB Senior Lien Bonds and the issuance of the additional Senior Lien Bonds as described above under “Plan of Finance-Additional 2015 Issuance” and that thereafter, upon the adoption of Refundable Credits Amendments by the City Council and satisfaction of the other requirements of the Resolutions, the Refundable Credit Amendments will become operative.

Amendment to General Resolution Relating to the Reserve Fund

The City has proposed to amend the General Resolution to provide for the establishment of a Participating Bonds Debt Service Reserve Fund (the “Participating Bonds Debt Service Reserve Fund”) and one or more Series Debt Service Reserve Funds (the “Series Debt Service Reserve Fund”) (the

amendment is referred to herein as the “Reserve Fund Amendment”). The General Resolution, as amended, would provide for (i) amounts in the Participating Bonds Debt Service Reserve Fund to be used to pay the principal of and interest on the Participating Bonds (herein defined) if amounts in the related Debt Service Fund are insufficient and (ii) amounts in a Series Debt Service Reserve Fund, if any, for any one or more Series of Future Bonds (herein defined) that are not Participating Bonds to be used to pay the principal of and interest on such Series of Non-Participating Bonds (herein defined) for which such Series Debt Service Reserve Fund was established if amounts in the related Debt Service Fund are insufficient. “Participating Bonds” means all Senior Lien Bonds Outstanding prior to the effectiveness of the Reserve Fund Amendment, including the Series 2015AB Senior Lien Bonds, and all Senior Lien Bonds issued after the effectiveness of the Reserve Fund Amendment (the “Future Bonds”) and deemed or designated by the City as Participating Bonds. “Non-Participating Bonds” means each Series of Future Bonds that are not Participating Bonds, for which there may or may not be a Series Debt Service Reserve Fund, as determined by the City at the time of issuance. Pursuant to the Reserve Fund Amendment, amounts in the Participating Bonds Debt Service Reserve Fund shall be held in trust solely as security for Participating Bonds and be used to pay only such Participating Bonds and shall not be pledged as security for or be available to pay any Series of Future Bonds that are Non-Participating Bonds and amounts in any Series Debt Service Reserve Fund established for one or more Series of Future Bonds that are not Participating Bonds shall be held in trust solely as security for such Series of Future Bonds that are not Participating Bonds secured thereby and be used to pay only such Series of Future Bonds that are not Participating Bonds and shall not be pledged as security for or be available to pay any Participating Bonds or any other Series of Future Bonds which are not secured by such Series Debt Service Reserve Fund. Pursuant to the Reserve Fund Amendment, the definition and calculation of the Reserve Fund Requirement for Participating Bonds would generally remain unchanged, except that (i) for the purpose of calculating the Reserve Fund Requirement for the Participating Bonds only, all references to Bonds under the definition of “Maximum Annual Debt Service” shall be deemed to be references to Participating Bonds and (ii) for purpose of valuing investments held in any Reserve Fund, the Treasurer shall annually, on or about January 15 of each year and at such other times as the City shall deem appropriate, value each investment held in a Reserve Fund on the basis of the amortized cost thereof; provided that investments which mature five years or more after the date of the valuation shall be valued on the basis of the market value thereof. The Reserve Fund Requirement for Non-Participating Bonds would be determined by the City at the time of issuance.

The Reserve Fund Amendment would also change the application of revenues as set forth under “Security and Sources of Payment for the Series 2015AB Senior Lien Bonds – Flow of Funds – Deposits to the Debt Service Fund, Reserve Fund and Emergency Fund.” Instead of the credit to the Reserve Fund as set forth under paragraph (b) of the referenced section, the Reserve Fund Amendment would provide for: (A) the credit of the Participating Bonds Debt Service Reserve Fund, the following amounts, if any: (i) if, as of the most recent valuation of the Participating Bonds Debt Service Reserve Fund, the value thereof was less than the Reserve Fund Requirement therefor and the amount of such deficiency has not previously been restored, then commencing with the first month of the first Fiscal Year following such valuation and continuing until such deficiency has been eliminated (which may be by subsequent valuation) one-twelfth (1/12) of the difference between the Reserve Fund Requirement for the Participating Bonds Debt Service Reserve Fund and the value of the Participating Bonds Debt Service Reserve Fund on such valuation date, plus (ii) if any amount has been withdrawn from the Participating Bonds Debt Service Reserve Fund during the preceding 12 months to prevent a default on the Bonds or to make a deposit into the Rebate Fund and the Participating Bonds Debt Service Reserve Fund has not subsequently been restored to the Reserve Fund Requirement therefor, an amount equal to one-twelfth (1/12) of the amount so withdrawn plus (iii) if any Participating Bonds have been issued during the preceding 12 months and, at the time of such issuance, the City did not deposit into the Participating Bonds Debt Service Reserve Fund the full amount necessary to increase the amount in the Participating Bonds Debt Service Reserve Fund to the Reserve Fund Requirement therefor and the amount of such

deficiency has not previously been deposited into the Participating Bonds Debt Service Reserve Fund, an amount equal to one-twelfth (1/12) of the difference between the Reserve Fund Requirement upon the issuance of such Series of Participating Bonds and the amount deposited into the Participating Bonds Debt Service Reserve Fund at the time of issuance; and (B) the credit of each Series Debt Service Reserve Fund established for one or more Series of Future Bonds that are not Participating Bonds, the following amounts, if any: (i) if, as of the most recent valuation of any such Series Debt Service Reserve Fund, the value thereof was less than the Reserve Fund Requirement therefor and the amount of such deficiency has not previously been restored, then commencing with the first month of the first Fiscal Year following such valuation and continuing until such deficiency has been eliminated (which may be by subsequent valuation) one-twelfth (1/12) of the difference between the Reserve Fund Requirement for such Series Debt Service Reserve Fund and the value of such Series Debt Service Reserve Fund on such valuation date, plus (ii) if any amount has been withdrawn from any such Series Debt Service Reserve Fund during the preceding 12 months to prevent a default on the Bonds or to make a deposit into the Rebate Fund and such Series Debt Service Reserve Fund has not subsequently been restored to the Reserve Fund Requirement therefor, an amount equal to one-twelfth (1/12) of the amount so withdrawn plus (iii) if any Future Bonds that are not Participating Bonds have been issued during the preceding 12 months for which a Series Debt Service Reserve Fund has been established and, at the time of such issuance, the City did not deposit into any such Series Debt Service Reserve Fund the full amount necessary (if any) to increase the amount in any such Series Debt Service Reserve Fund to the Reserve Fund Requirement therefor and the amount of such deficiency has not previously been deposited into such Series Debt Service Reserve Fund, an amount equal to one-twelfth (1/12) of the difference between the Reserve Fund Requirement upon the issuance of such Series of Future Bonds that are not Participating Bonds and the amount deposited into the Series Debt Service Reserve Fund at the time of such issuance; provided that the transfers to the Participating Bonds Debt Service Reserve Fund and each Series Debt Service Reserve Fund shall be made to the Participating Bonds Debt Service Reserve Fund and each Series Debt Service Reserve Fund without preference or priority between the transfers made in accordance with clauses (A) and (B) of this subparagraph (2), and in the event of any insufficiency of such moneys, ratably based on the amount required to be deposited into each such fund, without any discrimination or preference.

These proposed amendments are not operative. These proposed amendments shall become operative on the date on which the written consent of the Owners of not less than 51% in aggregate principal amount of Outstanding Senior Lien Bonds has been obtained, and the other requirements of the General Resolution have been satisfied. Purchasers of bonds issued on and after the dated date of the Series 2015AB Senior Lien Bonds, including purchasers of the Series 2015AB Senior Lien Bonds, will be deemed to have consented to the proposed amendments by their purchase of such bonds. Purchasers of the Series 2015AB Senior Lien Bonds are the first purchasers to consent to these proposed amendments.

THE WASTEWATER SYSTEM

Service Area

The System provides wastewater collection, treatment and disposal services for an area of approximately 600 square miles that includes most of the City. The wastewater service area within the Los Angeles Basin is determined by natural drainage patterns and does not generally conform to political boundaries. Because of the economics associated with gravity flow, parts of the City are served by other agencies and the System provides wastewater service for communities outside the boundaries of the incorporated City. Areas within the City limits that are not served by the City are served by Los Angeles County Sanitation Districts. See page [22] herein for a map of the System.

Existing Facilities

Treatment Plants. The City’s four wastewater treatment plants receive flows from two distinct service areas. Central, western and northern areas of the City are tributary to a coastal plant, the Hyperion Treatment Plant (“HTP”), and to two inland plants along the Los Angeles River, the Donald C. Tillman Water Reclamation Plant (“DCTWRP”) and the Los Angeles-Glendale Water Reclamation Plant (“LAGWRP”). The southern harbor area of the City is tributary to the Terminal Island Water Reclamation Plant (“TIWRP”). For ease of reference, the two service areas are referred to herein as the Hyperion System and the Terminal Island System.

The following table sets forth the approximate first year of operation, the current design capacities and the influent flows of the Hyperion System treatment facilities and the Terminal Island System treatment facilities:

**TABLE 1
EXISTING WASTEWATER TREATMENT FACILITIES**

Treatment Facility	Approximate First Year of Operation	Current Design Capacity (mgd) ⁽¹⁾	Average Flow (mgd) ⁽²⁾
HYPERION SYSTEM			
Hyperion ⁽³⁾	1923	450	279
Los Angeles-Glendale ⁽⁴⁾	1976	20	19
Tillman ⁽⁴⁾	1984	<u>80</u>	<u>50</u>
Total Hyperion System		<u>550</u>	<u>348</u>
TERMINAL ISLAND SYSTEM			
Terminal Island ⁽⁵⁾	1935	<u>30</u>	<u>15</u>
TOTAL BOTH SYSTEMS		<u>580</u>	<u>363</u>

Source: City of Los Angeles, Bureau of Sanitation.

(1) “mgd” means million gallons per day.

(2) These numbers are average flows for Fiscal Year 2014.

(3) This facility utilizes activated sludge secondary treatment.

(4) These facilities utilize activated sludge secondary treatment followed by coagulation, filtration, chlorination and dechlorination.

(5) This facility utilizes activated sludge secondary treatment, microfiltration and reverse osmosis.

Collection System. The Wastewater collection and conveyance system consists of more than 6,700 miles of mainline sewers, in excess of 100,000 maintenance holes, 44 wastewater pumping plants, and other miscellaneous facilities. Sixty-seven percent of the sewers have been in service for 50 years or more with the oldest pipes installed about 125 years ago. See “Wastewater System Capital Improvement Program – Current Major Projects of the Wastewater Capital Improvement Program – Projects under Construction – Secondary Sewer Renewal Program” herein for a description of the City’s program for replacing portions of the Collection System, including renewals of secondary sewers.

The City has 24 pumping plants in the Hyperion System and 20 pumping plants in the Terminal Island System, all of which form an integral and essential part of the conveyance system. The collection

system is designed with redundancy in the form of standby pumps and power supplies. Certain plants are provided with storage retention basins or emergency bypass lines to address potential collection failures.

The City's stormwater collection and conveyance system is separate from the wastewater collection and conveyance system. Stormwater is discharged into the Santa Monica Bay and Los Angeles Harbor through a series of storm drains. Under certain circumstances, some dry weather urban runoff is diverted to the wastewater collection system for treatment at the HTP.

Hyperion Service Area. The Hyperion service area consists of a series of local, collector and interceptor sewers terminating at the HTP. The seven main interceptor sewers in the Hyperion service area are the Central Outfall Sewer ("COS"), the Coastal Interceptor Sewer ("CIS"), the East Central Interceptor Sewer ("ECIS"), the Northeast Interceptor Sewer ("NEIS"), the North Central Outfall Sewer ("NCOS"), the North Outfall Sewer ("NOS"), and the North Outfall Replacement Sewer ("NORS").

Hyperion Treatment Plant. The existing HTP, designed for an average flow of 450 mgd, currently treats an average flow of approximately 279 mgd. The HTP has a total wet weather flow capacity of 850 mgd. The HTP provides secondary treatment utilizing the pure oxygen activated sludge process.

The City has entered into two agreements with DWP to provide for steam and power to the HTP. Pursuant to a gas transfer/power purchase agreement between the City and DWP, the City delivers to DWP its surplus methane gas from the HTP in exchange for power from DWP at a significantly reduced rate. Pursuant to an operating agreement between the City and DWP, DWP supplies steam from its Scattergood Generating Station to the adjoining HTP in return for a conversion charge. A steamline has been constructed between the Scattergood Generating Station and the adjoining HTP to provide the HTP with the inexpensive process steam. The City expects the current agreements with DWP to remain in effect through 2016. In February 2014, the City selected a contractor to construct a project to beneficially reuse the digester gas generated at HTP to produce sufficient steam and electricity to operate HTP. See "Wastewater System Capital Improvement Program – Current Major Projects of the Wastewater Capital Improvement Program – Projects Under Construction" herein.

[INSERT MAP]

CITY OF
LOS ANGELES, CALIFORNIA
WASTEWATER SYSTEM

Donald C. Tillman and Los Angeles-Glendale Water Reclamation Plants. The DCTWRP is designed to provide tertiary treatment for an average dry weather flow of 80 mgd and a peak wet weather flow of 160 mgd. The purpose of the DCTWRP is to treat all of the wastewater flow from the Additional Valley Outfall Relief Sewer (“AVORS”) and the East Valley Interceptor Sewer (“EVIS”), providing flow relief for downstream reaches of the interceptor system. The LAGWRP is designed to provide tertiary treatment for an average dry weather flow of 20 mgd and a peak wet weather flow of 30 mgd. This plant is able to provide flow relief for the NOS interceptor system by treating a portion of the flow from the eastern section of the San Fernando Valley and the cities of Burbank and Glendale. Sludge produced by the two water reclamation plants is returned to the interceptor system for treatment at the HTP. In Fiscal Year 2014, the DCTWRP and the LAGWRP returned a total of 8.2 mgd of sludge to the HTP for treatment.

Terminal Island Service Area and Water Reclamation Plant. The service area for the TIWRP consists of the Harbor area of the City located approximately 20 miles south of downtown Los Angeles. This area includes the communities of Wilmington and San Pedro, Terminal Island, and a portion of Harbor City. As it is geographically isolated from the rest of the City, this area requires a separate collection, treatment and disposal system. The TIWRP is designed to treat an average dry weather flow of 30 mgd and a peak wet weather flow of 55 mgd. The TIWRP has provided tertiary treatment since December 1996. The TIWRP also contains advanced wastewater purification facilities that use microfiltration and reverse osmosis to recycle five mgd of wastewater. Reclaimed water from the TIWRP is sold to DWP, which then sells the water for its own account.

System Wastewater Flow

The following table sets forth the System wastewater flows for Fiscal Years 2005 through 2014 for each treatment plant. The decrease in wastewater flow over the last decade is attributable to water conservation efforts. The System’s projected operating results set forth in Table 22 include the existing reduction in wastewater flow and include an assumed five percent reduction in sewage contributed by the System customers in Fiscal Year 2016 and no additional reductions for the remainder of the projection period. See “Financial Operations of the Wastewater System – Number of Customers and Billable Wastewater Volume” herein for a description of the effects of the City’s conservation efforts.

**TABLE 2
HISTORIC WASTEWATER FLOW
(Amounts in Million Gallons Per Day)**

Fiscal Year Ended June 30	HTP	LAGWRP	DCTWRP	TIWRP	TOTAL
2005	358	16	57	16	447
2006	337	15	54	16	422
2007	341	17	54	16	428
2008	322	17	48	16	403
2009	314	19	48	16	397
2010	300	20	48	16	384
2011	300	20	47	16	383
2012	288	20	46	14	368
2013	291	19	47	14	371
2014	279	19	50	15	363

Source: City of Los Angeles, Bureau of Sanitation.

Subscribing Agencies

Universal Terms Contracts. The City currently provides wastewater conveyance, treatment and disposal services on a wholesale basis to 20 agencies (the “Agencies”) pursuant to Universal Terms Contracts. The Agencies include the Cities of Beverly Hills, Burbank, Culver City, El Segundo, Glendale, La Cañada Flintridge, Long Beach, San Fernando and Santa Monica, the Crescenta Valley Water District, the Las Virgenes Municipal Water District, several Los Angeles County Sanitation Districts, the community of Marina Del Rey and Universal City.

The Universal Terms Contracts include the following key provisions: (i) the Agencies will pay shares of the costs of the City’s amalgamated wastewater system facilities, including sewers with diameters that are 36 inches or larger and pay shares of half the costs of sewers with diameters that are 30 to 36 inches in diameter, regardless of which facilities actually treat and convey their wastewater, (ii) the Agencies’ shares of treatment costs will reflect the flow and quality of their wastewater, (iii) the Agencies’ shares of conveyance costs will reflect their flows and distances to the treatment plants, (iv) the Agencies’ charges will be based on their actual wastewater flow and quality, (v) there will be no limitation on the wastewater that an Agency can discharge into the System, (vi) the Agencies and the City will share the connection fee income paid by new customers discharging to the System, (vii) interest and penalties will be added to late payments by the Agencies, (viii) each Agency may have access to a share of the reusable water produced by the City’s water reclamation plants, and (ix) the contract will have a thirty-year term, except that the parties may initiate renegotiations after ten years for certain changed conditions. All of the Universal Terms Contracts are in effect through 2029. Certain of the Agencies have requested incremental extensions of their contracts. The City expects that wastewater service to the Agencies will be extended beyond 2029 pursuant to renegotiated contracts in part because of the large economies of scale available in the System, the difficulty associated with siting and permitting smaller treatment plants serving just the Agencies, and the high cost of connecting the Agencies’ sewer systems to other regional wastewater systems.

Sewage Disposal Contracts. The City also serves nine other agencies (each, an “SDC Entity” and together with the Agencies, the “Entities”) on a wholesale basis pursuant to the older Sewage Disposal Contracts (“SDCs” and together with the Universal Terms Contracts, the “Wastewater Service Contracts”). The nine SDC Entities operating under the older SDCs account for 0.4 mgd, which is 0.8% of the 29 Entities’ total average flow in Fiscal Year 2014. These customers include the Veteran’s Administration and several small SDC Entities. Although each SDC varies somewhat as to its terms and conditions, in general each SDC requires payment of operation and maintenance expenses and capital costs attributable to those components of the sewer system used by the SDC Entity. See “Financial Operations of the Wastewater System – Sewer Rates and Revenues – Wastewater Service Contracts” herein for a description of Revenues relating thereto.

Flow Contributed by the Entities. The Entities contributed approximately 14 percent of the System flow in Fiscal Year 2014. The five largest Entities (Beverly Hills, Los Angeles County Sanitation District Number 4, Culver City, Glendale and Santa Monica) accounted for approximately 78 percent of the 29 Entities' total flow. The next five largest Entities accounted for approximately 15 percent of the Entities' total flow. The following table sets forth the largest Entities and the flow contributed by each.

**TABLE 3
MAJOR SUBSCRIBING ENTITIES AND FLOW CONTRIBUTED
Fiscal Year 2014**

Entities	Actual Flow (mgd)⁽¹⁾
Glendale	14.41
Santa Monica	12.15
Beverly Hills	5.01
Culver City	4.95
Los Angeles County Sanitation District #4	3.05
Burbank ⁽²⁾	2.09
San Fernando	1.84
Crescenta Valley Water District	1.35
Marina Del Rey	1.26
El Segundo	1.24
Los Angeles County Sanitation District #5	0.68
Universal City	0.62
Los Angeles County Sanitation District #16	0.35
Las Virgenes Municipal Water District	0.34
Veterans Administration	0.33
Los Angeles County Sanitation District #9	0.24
All Others	<u>0.53</u>
Total	<u>50.44</u>

Source: City of Los Angeles, Bureau of Sanitation.

⁽¹⁾ "mgd" means million gallons per day.

⁽²⁾ Reflects the flow that was used in billing Burbank for its wastewater service. However, this amount may be revised due to flow monitoring issues that are still being resolved.

Other Treatment Facilities. The City of Burbank independently owns and operates a wastewater treatment facility capable of treating up to nine mgd of Burbank's wastewater flow. The remaining flow and the biosolids from Burbank's plant are deposited into the System. Burbank could expand its facilities to treat all of the wastewater now produced in Burbank. However, any biosolids generated by Burbank could still be discharged to the System for treatment and disposal.

The City of Glendale is responsible for 50 percent of the operation and maintenance expenses and 50 percent of all non-expansion related capital improvement costs associated with the LAGWRP that is owned and operated by the City. The City is responsible for the remainder of the operation and maintenance expenses and non-expansion related capital improvement costs and all expansion related capital improvement costs associated with this plant.

Contract Receipts. The following table sets forth WSC cash receipts from the 29 Entities for Fiscal Years 2010 through 2014. These amounts constituted approximately 5.7% of total System revenues in Fiscal Year 2014.

**TABLE 4
SEWER CONSTRUCTION AND MAINTENANCE FUND
CONTRACTUAL WASTEWATER SERVICES RECEIPTS
CASH BASIS (UNAUDITED)
(in Thousands)**

Wastewater Service Contract Receipts	Fiscal Year Ended June 30				
	2010	2011	2012	2013	2014
Operation and Maintenance ⁽¹⁾	\$ 16,097	\$ 12,991	\$ 15,848	\$ 16,540	\$ 19,291
Capital ⁽²⁾	<u>15,382</u>	<u>9,757</u>	<u>8,946</u>	<u>8,196</u>	<u>12,153</u>
Total ⁽³⁾	<u>\$ 31,479</u>	<u>\$ 22,748</u>	<u>\$ 24,794</u>	<u>\$ 24,736</u>	<u>\$ 31,444</u>

Source: City of Los Angeles, Department of Public Works – Office of Accounting, from records of the City Controller.

- ⁽¹⁾ Higher amounts for Fiscal Year 2010 include payments relating to higher than usual wastewater flows from certain Agencies. Higher amounts for Fiscal Year 2012 include payments that would usually be paid in 2011.
- ⁽²⁾ Prior to 2014, the Entities’ shares of the System’s capital costs decreased as the total capital costs of the System have decreased. In addition, the proportion of capital costs that were billable to the Entities (*i.e.*, the costs associated with treatment and larger conveyance projects) decreased as the City focused its resources on replacing smaller sewers to meet its CSSA (herein defined) goals. Beginning in 2014, however, the total capital costs of the System began to increase. The City anticipates that the Entities’ shares of capital costs will increase as capital costs continue to increase and as the capital program includes more projects for the treatment of wastewater and larger conveyance capacity.
- ⁽³⁾ Total may not equal sum of components due to rounding.

Security of the System

The System is subject to safety and security inspections on a continuing basis by the City. All four treatment plants in the System are maintained as secured facilities, with fences, gates and security guards. All pumping plants with above-ground structures have security fences. Subterranean pumping plants have padlocked hatches. Improved communications systems are being implemented. However, the City does not represent that any existing or additional safety and security measures will be adequate in the event that terrorist activities are directed against the System or that costs of security measures will not be greater than currently anticipated. Further, damage to components of the System could have a material adverse impact on the City’s expenditures for repairs to the System. See “Security and Sources of Payment for the Series 2015AB Senior Lien Bonds – Insurance and Condemnation” herein for a description of insurance for the System.

ORGANIZATION AND MANAGEMENT OF THE SYSTEM

General

The City is the planning agency, owner and operator of the System. The governing body consists of the Mayor, who is chief executive of the City, and a 15-member full-time City Council, which is the legislative body. The Mayor, the members of the City Council, the City Controller and City Attorney are elected officials.

The Board of Public Works manages the Department of Public Works, which administers the City's water pollution control policy and is responsible for operation of the following bureaus: Contract Administration, Engineering, Sanitation, Street Lighting and Street Maintenance. The Board of Public Works is composed of five full-time salaried members appointed by the Mayor for a term of five years.

The Board of Public Works advertises and invites proposals for bids, awards contracts for the construction of public facilities, and coordinates the issuance of certain activity permits for use of City-owned property. An organization chart of the structure of the City government, the Department of Public Works, the Bureau of Engineering and the Bureau of Sanitation is on the following page.

[INSERT ORGANIZATIONAL CHART]

Office of Accounting

The Office of Accounting of the Board of Public Works (the "Office of Accounting") provides the accounting and financial services to the Department of Public Works for all its funds and programs, including the SCM Fund and the wastewater program. The Office of Accounting bills and collects revenues from grant agencies and recipients of City services, processes appropriation and encumbrance budgetary documents, initiates payments to contractors, service providers, other City departments and employees, and assures expenditure compliance within appropriations. The Office of Accounting also prepares SCM Fund financial reports and statements, analyzes and provides information on accounting and financial matters, and operates systems to provide general ledger and cost data to departmental users.

Bureau of Engineering

The Bureau of Engineering prepares environmental assessments, preliminary designs, final plans and specifications and estimates for all storm drains, sewers, wastewater treatment plants, bridges, service yards and other public improvements. The Bureau of Engineering handles all contract documents and certain contractual relationships for the aforementioned items during construction. The Bureau of Engineering acquires rights of way and easements required for the various City projects, negotiates and administers short-term rentals of property acquired by the City, sells City-owned properties and examines titles and processes title transfers. For major design projects, such as the current Air Treatment Facilities and the rehabilitation of the North Outfall Sewer, the Bureau of Engineering's staff is augmented through the use of engineering consultants. The City Engineer directs the operations of the Bureau of Engineering and is assisted by the Chief Deputy City Engineer and various Deputy and Division Engineers.

Bureau of Sanitation

The Bureau of Sanitation is responsible for the operation and maintenance of all facilities required for the conveyance, treatment, and disposal of wastewater, including various technical services related to wastewater. The Bureau of Sanitation also has responsibility for the collection and disposal of refuse and other solid waste and for maintenance of local storm drains.

A Director, four Assistant Directors and a Chief Financial Officer, who together constitute the Bureau of Sanitation's Executive Office, head the Bureau of Sanitation. There are Assistant Directors in charge of the HTP, DCTWRP, LAGWRP and TIWRP; the Collection System, engineering services and watershed management; Technical Services; and Solid Resources Management. All Assistant Directors and the Chief Financial Officer report directly to the Director.

Wastewater treatment plant operations and maintenance activities are the responsibility of plant managers assigned to each of the four treatment plants. The manager of the Wastewater Collection Systems Division is responsible for operating the pump stations and for routine and emergency maintenance on both the separate sanitary sewer and local storm drain systems. The manager of Wastewater Engineering Service Division is responsible for integrated planning for the System.

Technical Services includes five divisions with wastewater functions. The Regulatory Affairs Division monitors legislation, renews and updates permits, and serves as liaison with the various regulatory agencies on matters affecting the Bureau of Sanitation's operations and facilities. The Environmental Monitoring Division is responsible for treatment plant performance monitoring, water quality monitoring, and reporting functions. The Industrial Waste Management Division conducts industrial waste discharge ordinance compliance monitoring and enforcement. The Information/Control Systems Division produces and maintains the data processing and information control systems. The Industrial Safety and Compliance Division develops and implements training and safety programs.

The Financial Management Division handles financial matters including the development and implementation of policies and procedures. The manager of this division and the manager of the Administrative Division report directly to the Chief Financial Officer.

Bureau of Contract Administration

General. The Bureau of Contract Administration is responsible for administering contracts and permits for construction of all public works projects, including providing inspection services at construction sites, preparing statements of payments due on contracts, recommending acceptance of public improvement projects, and reviewing contractor compliance with affirmative action and minority business enterprise requirements on City projects.

Contractor Procurement. The City contracts for a variety of services related to the wastewater program, including general engineering consulting services, project design, construction management and scheduling and construction. The Fiscal Year 2015 Capital Program includes approximately 110 separate projects, which require the procurement of many contractors. Construction contracts are awarded by competitive bid and require satisfactory bonds. All firms doing business with the City must show proof of insurance in amounts as determined by the City Risk Manager. Required insurance includes but is not limited to general liability, automobile liability and worker's compensation. Additionally, a waiver of subrogation is generally required. Any firm doing business with or in the City must comply with the City business tax statutes.

WASTEWATER SYSTEM CAPITAL IMPROVEMENT PROGRAM

General

The Wastewater System Capital Improvement Program (the "CIP") is an ongoing, ten-year, capital expenditure program. The general objectives of the CIP are to meet federal and State requirements and City policy regarding water pollution control, to provide satisfactory levels of service to users of the System, and to maintain the integrity of the System. The CIP currently includes such improvements to the System as the installation of major interceptor sewers, the renovation or replacement of other major sewers and pumping stations, and the modernization and upgrading of wastewater treatment or reclamation facilities. The City estimates that the total non-labor cost for these projects will be approximately \$1.19 billion during the five-year period from Fiscal Year 2015 through Fiscal Year 2019.

Prior Year Expenditures

The following table sets forth the capital expenditures made by the City for the CIP from Fiscal Years 1987 through 2014.

TABLE 5
WASTEWATER CAPITAL IMPROVEMENT PROGRAM EXPENDITURES
Fiscal Years 1987 through 2014⁽¹⁾ (Unaudited)
(in Thousands)

Fiscal Year Ended June 30	System-Wide Collection and Pumping	Wastewater Treatment			Major Capital Improvement ⁽⁴⁾	Capital Labor ⁽⁵⁾	Total ⁽⁶⁾
		Hyperion	Other ⁽³⁾	Total			
Prior Years ⁽²⁾	\$1,510,855	\$1,828,430	\$236,350	\$2,064,780	\$3,575,635	\$1,153,217	\$4,728,852
2005	112,566	17,089	25,276	42,365	154,931	71,141	226,072
2006	142,976	26,251	31,573	57,824	200,800	76,717	277,517
2007	111,754	27,784	60,572	88,356	200,110	84,953	285,063
2008	112,571	8,461	31,624	40,085	152,656	79,431	232,087
2009	155,827	38,458	12,311	50,769	206,596	69,938	276,534
2010	104,190	27,188	21,489	48,677	152,867	75,538	228,405
2011 ⁽⁷⁾	83,180	44,248	9,501	53,749	136,929	61,549	198,478
2012 ⁽⁷⁾	48,480	19,430	8,070	27,500	75,980	50,318	126,298
2013	71,938	32,266	6,478	38,744	110,682	77,519	188,201
2014	72,059	23,751	20,520	44,271	116,330	74,290	190,620
Total	<u>\$2,526,396</u>	<u>\$2,093,356</u>	<u>\$463,764</u>	<u>\$2,557,120</u>	<u>\$5,083,516</u>	<u>\$1,874,611</u>	<u>\$6,958,127</u>

Source: City of Los Angeles, Bureau of Sanitation and Office of Accounting.

- (1) Actual expenditures on a cash basis. Includes the costs of issuance for bonds issued to finance capital improvements.
- (2) Includes capital improvements from Fiscal Year 1987 through Fiscal Year 2004.
- (3) Includes LAGWRP, DCTWRP, and TIWRP projects.
- (4) Represents the sum of System-wide collection and pumping expenditures and wastewater treatment expenditures.
- (5) Includes retirement contributions for System staff who work on the CIP. See "Financial Operations of the Wastewater System – Retirement and Other Postemployment Benefits Contributions" herein for a description of the System's contributions, through the City, to LACERS.
- (6) Represents the sum of major capital improvement expenditures and capital labor expenditures.
- (7) Capital expenditures in Fiscal Years 2011 and 2012 were reduced from capital expenditures for prior years pending the outcome of the rate adjustment process.

Current Major Projects of the Wastewater Capital Improvement Program

Current Projects. The following projects are currently included in the CIP. The cost estimates for these projects that are set forth below may increase and the expected dates of completion for these projects may be delayed due to unexpected events, circumstances or conditions. The schedule of rate increases that have been approved and the SCM Fund's bonding capacity are sufficient to fund these projects. See "– Financing Plans for the Wastewater Capital Improvement Program" herein. Portions of the projects described below consist of Green Projects to be financed with proceeds of the Series 2015-A Senior Lien Bonds. See "Plan of Finance – Series 2015-A Senior Lien Bonds" herein.

Wastewater Control System Replacement Projects. The City has two projects to replace and upgrade the existing distributed control system and supervisory control and data acquisition system at an estimated cost of \$40 million, of which \$25 million remains to be spent. Construction of the projects began in January 2012, with completion scheduled by 2017.

Venice Pumping Plant Dual Force Main. The City is planning the construction of a dual force main to handle the peak wet weather flow at the pumping plant. The estimated cost for the construction phase of this project is \$53 million. The construction phase of the project is scheduled to commence in August 2016, with completion scheduled in April 2019.

Secondary Sewer Renewal Program. In addition to the specific projects described above, the City's Secondary Sewer Renewal Program ("SSRP") will continue to be a large portion of the CIP. The City plans to renew an annual average of 50 miles of sewers for the foreseeable future, following the completion of the projects included in the Collection System Settlement Agreement ("CSSA") on June 30, 2014. The majority of these projects will be renewals of secondary sewers. The SSRP includes 38 projects to be funded in Fiscal Years 2015 through 2019, which projects are projected to cost \$54 million. See "Regulatory Requirements Affecting Operation of the System – Collection System Settlement Agreement" herein.

The Northeast Interceptor Sewer (NEIS), Phase 2A. The City is planning the construction of 3.67 miles of sewer to relieve the NOS from just south of the Los Angeles Glendale Water Reclamation Plant downstream to the existing NEIS. The estimated cost of this project is \$163 million. Construction of the project is scheduled to start in December 2015, with completion in May 2019.

Advanced Water Purification Facility Expansion. The City is planning to construct an expansion of the Advanced Water Purification Facility ("AWPF") at TIWRP to meet user demand for high purity water and comply with the TIWRP National Pollutant Discharge Elimination System ("NPDES") permit. The project will increase water production by 6.5 mgd for a total of 11.5 mgd. The estimated cost for the construction phase is \$57 million. Construction is scheduled to start in July 2015, with completion in January 2018. See "Regulatory Requirements Affecting Operation of the System – NPDES Permits" herein.

Hyperion Digester Gas Utilization Project (DGUP). The City is constructing a cogeneration facility that will use the digester gas produced at HTP to produce sufficient electricity and steam for HTP's operation. The projected cost is \$139 million. The design/build project began in February 2014, and the project is scheduled to be completed in February 2017.

Additional Projects. In addition to the above, the City plans to spend \$695 million through Fiscal Year 2019 to fund over 270 additional projects. These projects include sewer rehabilitations, new sewers and rehabilitations and process enhancements at the four treatment plants.

Proposed CIP Expenditures. The Bureau of Sanitation annually prepares a Wastewater System Capital Improvement Expenditure Program budget for the System, which is included for funding in the City’s current adopted budget. The following table sets forth a summary of the proposed CIP expenditures for Fiscal Years 2015 through 2019. The City has reduced the proposed CIP expenditures reflecting reduced projected SSC revenues resulting from water conservation. See “Financial Operations of the Wastewater System – Water Usage – General” herein. The City continually monitors its revenues and billable wastewater volume and adjusts the capital program accordingly.

TABLE 6
SUMMARY OF CAPITAL IMPROVEMENT PROGRAM
Fiscal Years 2015 through 2019
(in Thousands)

Fiscal Year Ending June 30	Major Capital Improvement ⁽¹⁾			Sub-Total Non-Labor	Capital Labor ⁽³⁾	Total
	Collection and Pumping	Wastewater Treatment ⁽²⁾	System-wide			
2015	\$ 37,400	\$ 79,100	\$ 17,400	\$ 133,900	\$ 70,100	\$ 204,000
2016	83,700	152,300	7,800	243,800	77,100	320,900
2017	113,400	128,600	3,300	245,300	71,200	316,500
2018	188,600	95,800	6,200	290,600	72,800	363,400
2019	150,500	128,900	4,200	283,600	74,500	358,100
Total	\$ 573,600	\$ 584,700	\$ 38,900	\$1,197,200	\$ 365,700	\$ 1,562,900

Source: City of Los Angeles, Bureau of Sanitation.

⁽¹⁾ Estimated.

⁽²⁾ Includes the HTP, LAGWRP, DCTWRP, and TIWRP projects.

⁽³⁾ Includes retirement contributions for System staff who work on the CIP. See “Financial Operations of the Wastewater System – Retirement and Other Postemployment Benefits Contributions” herein for a description of the System’s contributions, through the City, to LACERS (herein defined).

Integrated Resources Plan. In 2006, the City completed an Integrated Resources Plan (“IRP”) for the period through Fiscal Year 2020 that evaluated the needs of the System in conjunction with water reclamation, groundwater recharge, and stormwater management. Some of the projects set forth in the IRP are also projects to be completed pursuant to the City’s CIP. The timing and cost of specific projects depends on actual and projected wastewater flow and other factors affecting operation and maintenance. Additional projects may be required pursuant to the IRP depending on system flow, regulatory requirements and other factors. The IRP proposes capital improvements in the last three years of the plan (2018 through 2020) that are currently estimated to cost \$150 million. As described above, the CIP includes a total of \$1.6 billion of capital projects through Fiscal Year 2019. The City completed a five-year review of the IRP in June, 2012. The review resulted in the delay of certain projects and a reduction of capital expenditures due to the decline in wastewater flows. For a discussion of the projected funding sources for capital projects pursuant to the IRP, see “– Financing Plans for the Wastewater Capital Improvement Program” below.

In lieu of a five-year review of the IRP, the City has commenced development of the One Water LA 2040 Plan (the “One Water Plan”), which provides for a sustainable approach to collectively manage drinking water, stormwater, groundwater, recycled water and wastewater throughout the City through 2040. There are two phases to the One Water Plan, with Phase I consisting of the development of initial planning baselines and the establishment of guiding principles and Phase II consisting of development of projects and policies for coordinated water management and facilities planning citywide, updated

facilities plans for stormwater and wastewater, and guidance for updates of other future master plans citywide. Phase I was completed in 2014 and Phase II is scheduled to commence in 2015, with completion scheduled for early 2017. Projects and policies developed as part of the One Water Plan may result in the deferral or elimination of projects set forth in the IRP.

Program Review

The Bureau of Sanitation is responsible for final decisions relating to Wastewater Program costs and priorities. A Program Review Committee (“PRC”) consisting of the Director, Assistant Directors, and Financial Manager of the Bureau of Sanitation and the Wastewater Deputy City Engineer annually evaluates the CIP and meets monthly to consider any changes affecting the scope, cost, schedule, and overall implementation of the program. From time to time, the City Controller audits various departments and bureaus of the City. The last such audit of the Bureau of Sanitation, dated January 15, 2009 (“Controller’s Audit”), found that the Bureau of Sanitation has adequately planned for infrastructure needs to serve the City’s wastewater demands and the CIP for the System addresses the facilities, upgrades, programs and strategies necessary to move the City’s sewage from homes and businesses through the primary and secondary sewer drainage basins to the wastewater treatment and water reclamation plants.

Financing Plans for the Wastewater Capital Improvement Program

There are four primary funding sources available for the CIP: (i) System Revenues, (ii) wastewater service contracts, (iii) proceeds of debt issuances, and (iv) Federal Emergency Management Agency (“FEMA”) and other federal grants and reimbursements.

System Revenues derived from user fees will continue to finance a portion of capital improvements. Wastewater service contract capital payments made under agreements or contracts with 29 regional entities include reimbursement for certain capital improvements and related engineering and contract administration costs. Debt financing (primarily revenue bonds and commercial paper) will provide supplemental funds required by the CIP. The City estimates that a total of approximately \$1.14 billion of the CIP expenditures from Fiscal Years 2015 through 2019 will be financed through the issuance of bonds, notes or other forms of indebtedness.

The Outstanding Senior Lien Bonds and Subordinate Bonds were issued pursuant to the Charter of the City and the Revenue Bond Law of 1941. Pursuant thereto, the voters of the City authorized the issuance of wastewater system revenue bonds and notes in an aggregate principal amount of \$3.5 billion. The voters of the City subsequently approved a new Charter which became effective July 1, 2000. Under the new Charter, revenue bonds and notes of the City may be issued in accordance with the Procedural Ordinance and without any further authorization by the voters of the City. The Series 2015-A Senior Lien Bonds are the first issue of bonds to be issued pursuant to the Charter of the City and the Procedural Ordinance.

The City had \$163 million aggregate principal amount of outstanding loans from the Clean Water State Revolving Fund (the “SRF”) as of March 1, 2015. The City’s existing SRF Clean Water loans will be paid through Fiscal Year 2025. The City executed a financing agreement with the State Water Resources Control Board (“SWRCB”) to obtain a \$3 million SRF loan for a sewer rehabilitation project, a loan which will be forgiven by the SWRCB if the City complies with the terms of the loan. The sewer rehabilitation project is complete and the City has received principal forgiveness in the amount of \$533,345 for the design of the project and \$2,466,655 for the construction of the project. The SRF Clean Water loans are secured on a basis subordinate to all outstanding and hereinafter issued Senior Lien Bonds and the Subordinate Bonds, including CP Notes.

As of March 1, 2015, the SCM Fund had received a total of \$174 million in FEMA and State disaster reimbursements related to earthquake repairs for the System. All earthquake repair projects have been completed. The SCM Fund may receive approximately \$41 million in reimbursements from FEMA, the State and other City funds, subject to eligibility determinations and the availability of funds. The financial projections set forth in this Official Statement include the receipt of \$24.4 million reimbursement from FEMA. The City expects final closeout and payment of this amount to occur by Fiscal Year 2015. The City continually evaluates opportunities for federal and grant funds, but is not currently constructing any large projects that will be funded by federal or State grants.

The following table sets forth the projected major funding sources for the CIP for Fiscal Years 2015 through 2019.

**TABLE 7
PROJECTED MAJOR FUNDING SOURCES FOR
WASTEWATER CAPITAL IMPROVEMENT PROGRAM⁽¹⁾
(in Thousands)**

<u>Description</u>	<u>Fiscal Year Ending June 30</u>					<u>Total</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	
Net Debt Financing ⁽²⁾	\$200,000	\$140,000	\$234,000	\$307,000	\$257,000	\$1,138,000
Grants / FEMA	24,400	0	0	0	0	24,400
WSC ⁽³⁾ Capital Payments	10,292	21,205	30,141	23,243	17,030	101,911
System Revenues	53,996	60,000	71,000	78,000	101,000	363,996
Interest Income	3,265	2,498	935	838	805	8,341
Use of available fund balances	<u>(87,953)</u>	<u>97,197</u>	<u>(19,576)</u>	<u>(45,681)</u>	<u>(17,735)</u>	<u>(73,748)</u>
Total ⁽⁴⁾	<u>\$204,000</u>	<u>\$320,900</u>	<u>\$316,500</u>	<u>\$363,400</u>	<u>\$358,100</u>	<u>\$1,562,900</u>

Source: City of Los Angeles, Bureau of Sanitation.

⁽¹⁾ Positive amounts represent a draw-down of funds. Negative amounts represent an increase in funds. Amounts attributable in each fund vary from time to time depending on projects included in the then-current CIP.

⁽²⁾ Reflects use of proceeds of Bonds in the indicated Fiscal Year. See Table 22 hereof for projected debt financings and assumptions relating thereto.

⁽³⁾ Wastewater Service Contracts.

⁽⁴⁾ Excludes prior fiscal year's ending fund balance. Total may not equal sum of components due to individual rounding.

FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM

Sewer Rates and Revenues

General. The City's user fee system consists of a sewer service charge, industrial wastewater surcharge and fees, a sewerage facilities charge, wastewater service contracts and miscellaneous fees, as summarized below. The City has approved rates which will increase through Fiscal Year 2021. These rates and charges were predicated on assumptions of expected volume of wastewater operations. In April 2015, the Governor proposed several restrictions on water use in response to the continued drought in the State. Such proposals may result in a reduced volume of wastewater operations. See "– Water Usage – General" herein. In addition to the foregoing fees and charges, the City recovers the cost of System operations and maintenance (including replacement) and a portion of major capital expenditures through federal Clean Water and FEMA Grants, interest earnings and miscellaneous revenues.

- **Sewer Service Charge:** This charge is based on metered water usage and includes reduced rates for low income households and a compensating surcharge for non-low income

households and commercial customers. Revenues from the sewer service charge constitute the largest component of the System's total operating receipts, having comprised over 87% of total operating receipts of the System annually from Fiscal Year 2010 through Fiscal Year 2014. Revenues from the sewer service charge are anticipated to be approximately 87% of Revenues for Fiscal Year 2015.

- *Industrial Wastewater Surcharge and Fees:* The Quality Surcharge Fee is designed to recover the costs related to suspended solids ("SS") and biochemical oxygen demand ("BOD") strengths above normal or domestic strength values as well as costs for administering and maintaining the surcharge program. Industrial Wastewater Permit Application Fees are designed to recover the cost required to process permit applications for applicable users. Inspection and Control Fees are designed to recover the costs of necessary inspections of permitted users. Significant Industrial User fees recover a portion of additional costs incurred in the monitoring and inspection of certain industrial users subject to EPA categorical pretreatment requirements. Revenues from industrial wastewater surcharge and fees are anticipated to be approximately 2.6 percent of estimated Revenues for Fiscal Year 2015.
- *Sewerage Facilities Charge:* The Sewerage Facilities Charge ("SFC") is designed to recover the cost of the System capacity required by new sewer connections and increases in capacity required by current System users. Revenues from SFC are anticipated to be approximately 1.9 percent of Revenues for Fiscal Year 2015.
- *Wastewater Service Contracts:* The wastewater service contracts with the Entities provide for cost reimbursement of capital and operation and maintenance expenses. Revenues from WSC operation and maintenance payments are anticipated to be 5.0 percent of Revenues for Fiscal Year 2015.
- *Miscellaneous Fees:* These fees include bonded sewer fees, septage fees, sewer tap fees, and other miscellaneous revenue sources.

Pursuant to the Municipal Code of the City, all revenues derived from these user fees and charges are deposited into the SCM Fund and expended "only for sewer and sewage-related purposes, including but not limited to industrial waste control and water reclamation purposes." All interest earnings on moneys held in the SCM Fund are retained in the Fund. The methodology for developing the fee schedules for the above outlined charges is governed in part by the Municipal Code of the City of Los Angeles and the SWRCB, acting on behalf of the United States Environmental Protection Agency ("US EPA").

While the Municipal Code requires that the income from the fees and charges assessed for sewer services equal the overall cost of operation, maintenance, coverage and capital improvements of the System, the SWRCB and the US EPA impose additional requirements, relating to cost recovery, on specific components of the City's wastewater income structure. In accordance with State and federal guidelines, operation and maintenance costs, including renewal and replacement ("OM&R"), are recovered solely from the OM&R component of the sewer service charge, the OM&R component of the industrial waste surcharge and inspection and control fees, the OM&R component of the significant industrial user fee and the OM&R component of the sewage disposal contract fees. Specific revenue calculation requirements and policies for specific components of the City's sewer charges are described below.

Sewer Service Charge. The City currently imposes a Sewer Service Charge (“SSC”) based on a rate of \$3.97 per 100 cubic feet of wastewater discharged into the System. As described below, the City has adopted a series of annual SSC rate increases through Fiscal Year 2021. The adopted SSC rate increases are expected to provide approximately \$1.5 billion in additional revenues over the next ten years to fund \$1.7 billion additional capital projects and debt financing relating thereto, taking into account the most recent projections of billable wastewater volume. The City previously projected \$1.7 billion in additional revenues to fund \$2.3 billion in additional capital projects and debt financing for the next ten-year period from 2013 to 2023. The decrease in projected revenues and the reduction in capital projects reflect recent reductions in wastewater flow and corresponding adjustments to the CIP. See “– Water Usage – General” herein. The SSC is expected to provide approximately \$504 million in revenue for Fiscal Year 2015. See “Financial Operations of the Wastewater System – Projected Statement of Revenues and Expenditures” herein.

The current SSC rate and the annual SSC rate increases adopted by the City through Fiscal Year 2021 are set forth in the following table.

**TABLE 8
SEWER SERVICE CHARGE RATE INCREASES**

Effective Date	SSC Rate (\$/hcf)	Percentage Increase from Prior Year
Current Rate	\$3.97	6.5%
July 1, 2015	4.23	6.5
July 1, 2016	4.51	6.5
July 1, 2017	4.80	6.5
July 1, 2018	5.11	6.5
July 1, 2019	5.44	6.5
July 1, 2020	5.80	6.5

The determination of the SSC for residential customers, including multiple family dwellings up to four units, is based on winter water usage, which is established annually to determine each residential customer’s minimum daily water consumption. Once established, each residential customer’s minimum daily water consumption is presumed to closely approximate the sewer discharge and will be used to compute the SSC for the ensuing Fiscal Year. Qualifying low-income residential customers receive a 31 percent discount on the first 1,800 cubic feet of bimonthly wastewater volume. Low-income discounts are offset by a 0.84 percent surcharge applied to the base SSC of all other users who do not qualify as low-income residential customers and by the City’s General Fund.

The winter water use method does not apply to commercial customers, including multiple family dwellings of five or more units, industrial, governmental and other non-residential users, who are billed at the rate of \$3.97 per 100 cubic feet of 93 percent of total metered water usage effective July 1, 2014. The default percentage discharge may be adjusted within a range of 90 to 94 percent based on DWP updates to its water conservation policies, which currently includes a mandatory water conservation ordinance that imposes increased rates on water usage above certain specified levels. Prior to April 6, 2012, the default percentage discharge was 90 percent. The default percentage discharge was subsequently increased to 93 percent to reflect the use of less irrigation water, which resulted in a higher percentage of the metered water used entering the sewer. Users whose water does not enter the sewer system are not billed for that water usage.

The ten largest customers of the System for Fiscal Year 2013 provided approximately six percent of the SSC revenue in that year. The following table sets forth the SSC for each of the ten largest customers:

**TABLE 9
SEWER SERVICE CHARGE BILLED TO
TEN LARGEST CUSTOMERS
Fiscal Year 2013**

<u>User</u>	<u>Customer Type</u>	<u>SSC Billed</u>
Los Angeles Unified School District	School district	\$ 5,798,703
County of Los Angeles	Government	4,591,596
<u>City of Los Angeles</u>	Government	4,512,772
University of California – Los Angeles	Education	4,463,684
ConocoPhillips	Petroleum product refiner	3,038,794
Anheuser-Busch, Inc.	Brewing company	3,027,274
University of Southern California	Education	1,693,050
US Government	Government	1,512,589
Park La Brea	Apartment complex	1,199,573
Henry Weiss	Property maintenance; real estate agents and managers	1,248,887
Total		<u>\$31,086,922⁽¹⁾</u>

Source: City of Los Angeles, Bureau of Sanitation.

⁽¹⁾ Total cash basis SSC revenue for Fiscal Year 2013 was \$518,936,715.

Quality Surcharge Fees, Inspection and Control Fees, Industrial Wastewater Permit Application Fees and Significant Industrial User Fees. Pursuant to Section 64.30 of the Municipal Code of the City and the Revenue Program Guidelines for Wastewater Agencies published by the SWRCB, Division of Water Quality, the City assesses a Quality Surcharge Fee (“QSF”) on users of the wastewater system whose wastewater discharge strength, as measured by SS and BOD, is higher than 265 milligrams per liter of BOD and/or 275 milligrams per liter of SS (domestic strength). Treatment of “high strength” wastewater results in additional operating costs, such as the cost of additional chemicals, power and solids storage capacity and final disposal. Since July 1, 2014, the QSF rates have been \$0.416/lb for BOD and \$0.419/lb for SS.

The City has adopted a series of annual QSF rate increases that will go into effect through Fiscal Year 2021, which increases are expected to provide approximately \$25 million in additional revenues over the next ten years. The QSF is expected to provide approximately \$7.5 million in revenue for Fiscal Year 2015. See “Financial Operations of the Wastewater System – Projected Statement of Revenues and Expenditures” herein.

The current QSF rate and the annual QSF rate increases adopted by the City through Fiscal Year 2021 are set forth in the following table.

**TABLE 10
QUALITY SURCHARGE FEES RATE INCREASES**

Effective Date	BOD Rate (\$/pounds of BOD)	Percentage Increase from Prior Year	SS Rate (\$/pounds of SS)	Percentage Increase from Prior Year
Current Rate	\$0.416	6.0%	\$0.419	6.0%
July 1, 2015	0.441	6.0	0.444	6.0
July 1, 2016	0.470	6.5	0.472	6.5
July 1, 2017	0.500	6.5	0.503	6.5
July 1, 2018	0.533	6.5	0.536	6.5
July 1, 2019	0.567	6.5	0.571	6.5
July 1, 2020	0.604	6.5	0.608	6.5

Most of the QSF revenue is attributable to certain large customers of the System. A single industrial user, Anheuser-Busch, Inc., with a total surcharge of \$1,879,959, accounted for approximately 25 percent of the QSF revenue in Fiscal Year 2014. Baxter Healthcare Corporation is the second largest QSF revenue contributor with a total surcharge of \$708,210. Juanita Foods, Hostess Brands, and Darling International followed with total surcharges of \$317,828, \$294,737 and \$275,180 in Fiscal Year 2014, respectively.

The wastewater strength unit costs applied to QSF customers are also applied to users who participate in the low-strength SSC and “zero-based” QSF program. Under this program, users with one or both wastewater strength parameters below domestic strength values can petition for a “low-strength” SSC rate that includes only the flow component of the unit SSC. These low-strength customers are then billed for the strength component of the SSC by paying a “zero-based” QSF equal to the treatment cost for the actual concentrations of BOD and SS in their discharge.

The current “low-strength” SSC rate and the annual “low-strength” SSC rate increases adopted by the City through Fiscal Year 2021 are set forth in the following table.

**TABLE 11
“LOW-STRENGTH” SSC RATE INCREASES**

Effective Date	“Low-Strength” SSC Rate (\$/hcf)	Percentage Increase From Prior Year
Current Rate	\$2.756	6.5%
July 1, 2015	2.936	6.5
July 1, 2016	3.126	6.5
July 1, 2017	3.330	6.5
July 1, 2018	3.546	6.5
July 1, 2019	3.777	6.5
July 1, 2020	4.022	6.5

In addition to the strength charges, when applicable, the City charges three other industrial waste related fees, including an Inspection and Control Fee for each industrial user (“IU”) in possession of a valid Industrial Wastewater Permit. This fee is designed to recover the cost of inspecting and monitoring IUs and is set by ordinance. The Inspection and Control Fee currently ranges from \$291 to \$3,491 per IU

per year based on the number of site visits that are needed for each class of IUs. The City administers the Industrial Waste Source Control Program to reduce the introduction of all regulated pollutants and prevent the discharge of all prohibited pollutants into the sewer system. All IUs must obtain permits to discharge into the System. For Fiscal Year 2014, 6,352 local IUs were permitted to discharge to the System. Permit Application Fees are currently \$424. The City also has established Significant Industrial User (“SIU”) fees. All IUs with discharges in excess of 25,000 gallons per day of process wastewater, and all IUs that are subject to the Federal Categorical Pretreatment Standards established by the US EPA regardless of their discharge amounts, are classified as SIUs. There are 212 SIUs currently regulated by the City. Existing SIU fees range from \$2,646 to \$4,997, depending on the SIU classification. The City has adopted a series of annual increases through Fiscal Year 2021 for the three fees described in this paragraph. The scheduled increases and percentage increase are the same as those set forth in Table 10. The City estimates that the QSF, inspection and control fees, permit application fees and SIU fees will account for approximately 2.9 percent of estimated Revenues for Fiscal Year 2015.

The City has implemented a commercial and industrial grease control ordinance, known as the Fats, Oils and Grease Control Program (“FOG Control Program”). The goal of this program is to reduce the amount of grease that accumulates in sewers, leading to blockages and potential overflows. As of June 30, 2014, approximately 9,850 food service establishments (“FSEs”) were regulated under the FOG Control Program. These businesses are required to obtain an Industrial Wastewater Permit, pay a one-time application fee of \$424 and pay an annual Inspection and Control Fee of \$291.

As of June 2014, the City also permits and regulates approximately 1,644 dental offices in the City to control the potential discharge of certain heavy metals into the sewer system. These offices must obtain an Industrial Wastewater Permit and follow best management practices (“BMPs”) for capture of certain elements. Dental offices meeting the BMPs are inspected every five years and businesses not complying with the BMPs are inspected every year and are subject to higher fees.

Sewerage Facilities Charge. The SFC is a fee collected when a customer is initially connected to the City’s sewer system. The “System Buy-In Approach” is used to determine SFCs for new connections and increased usage of the System. The parameters used to calculate the SFC are set forth in an ordinance adopted by the City Council. These parameters permit charges for wastewater strength to be determined separately. A customer’s SFC is based on two measures of wastewater strength, BOD and SS, in addition to the customer’s flow. This approach determines the SFC based on flow and strength proportionate to shares of the equity of the wastewater system, as originally contributed by the existing system customers. The SFC is based on the reproduction cost, less depreciation value of the existing facilities, and the applicable portion of wastewater system reserve funds, minus the outstanding debt of the wastewater system. Revenue from the SFC is dependent on growth and new construction within the City.

The SFC base rates are currently \$344 per 100 gallons per day of flow, \$159 per pound per day of BOD, and \$147 per pound per day of SS. Applying the base rates to the sewage generation factors for typical three and four-bedroom single-family residences results in SFCs of \$950 and \$1,136, respectively.

Pursuant to the Municipal Code of the City, the Board of Public Works is authorized to issue refund credits to qualifying SIUs for unused capacity if: (1) the SFC payment was made and the current occupant of the property for which the SFC payment was made is an SIU, (2) the SIU is also an owner of the property for which the payment was made, (3) the flow from the property is less than the amount for which SFC payment was made, (4) the SIU can demonstrate that the reduced amount of flow was caused by the use of water conservation practices, pretreatment of discharge, or use of environmentally responsible practices and (5) the SIU, at the time of submission of the written claim, is not delinquent in payment of any monies owed with respect to sewer, water course and drains charges, including SSCs. The City issued \$710,000 in refund credits for Fiscal Year 2014 and has authorized approximately

\$920,000 in credits for Fiscal Year 2015 and \$30,000 for Fiscal Year 2016. The amount of future credits could increase if additional SIUs are granted refund credits.

Wastewater Service Contracts. The City provides wastewater conveyance, treatment, and disposal services to 29 local Entities pursuant to Sewage Disposal Contracts and Universal Terms Contracts executed and in force with each Entity. The capital charge component of Wastewater Service Contracts payments is not treated as Revenue to the SCM Fund and is not available to pay debt service on the Senior Lien Bonds or the Subordinate Bonds, including the Series 2015AB Senior Lien Bonds. These contracts generally extend through the useful life of the facilities which transport or treat the respective Entity’s wastewater. However, all Sewage Disposal Contracts are subject to renegotiation as described below. See “The Wastewater Service Area and Facilities – Subscribing Agencies” herein.

Historical Sewer Rates and Charges

The following table sets forth the City’s SSC, QSF and SFC from Fiscal Years 2011 through 2015.

**TABLE 12
SEWER CONSTRUCTION AND MAINTENANCE FUND RATES AND CHARGES
Fiscal Year 2011 through 2015**

Fiscal Year Ended June 30	Sewer Service Charge⁽¹⁾	Quality Surcharge Fees⁽²⁾		Sewerage Facilities Charge (per 100 gal. avg. flow)⁽³⁾	Typical Monthly Single Family Residential SSC⁽⁴⁾
		BOD	SS		
2011	\$3.27	\$0.349	\$0.351	\$325.00	\$29.97
2012 ⁽⁵⁾	3.42	0.363	0.365	413.00	31.22
2013 ⁽⁶⁾	3.57	0.377	0.380	413.00	32.63
2014	3.73	0.393	0.395	413.00	30.88
2015	3.97	0.416	0.419	413.00	33.00

Source: City of Los Angeles, Bureau of Sanitation.

- ⁽¹⁾ This charge is based on dollars per 100 cubic feet (hcf or hundred cubic feet) of billable wastewater volume. For residential customers, including multiple-family dwellings up to four units, this charge is applied to each customer’s minimum daily water usage during the winter water use period. For commercial customers, including multiple family dwellings of five or more units, this charge was applied to 90% of total metered water usage through April 5, 2012. See “Financial Operations of the Wastewater System – Sewer Rates and Revenues” herein for a description of adjustments to the default percentage discharge for commercial customers through Fiscal Year 2021.
- ⁽²⁾ The surcharge is based on a rate per pound of BOD or SS in excess of domestic strength wastewater.
- ⁽³⁾ Sewerage Facilities Charge includes strength charges based on 265 mg/L BOD and 275 mg/L SS.
- ⁽⁴⁾ These figures do not reflect effects of low-income assistance program. Amounts based on average billable wastewater volumes of approximately 9.0 hcf per month through 2013 and 8.3 hcf per month for 2014 and 2015, projected as of 2015. The reduction in billable volume is due to water conservation by the wastewater customers. See “Financial Operations of the Wastewater System – Number of Customers and Billable Wastewater Volume” herein.
- ⁽⁵⁾ Rates and charges effective as of April 6, 2012 through the end of fiscal year 2012.
- ⁽⁶⁾ Rates and charges effective as of July 1, 2012. The rates and charges, except for the SFC, will increase each year thereafter until July 1, 2020. See “Financial Operations of the Wastewater System – Sewer Rates and Revenues” herein.
- ⁽⁷⁾ Declining typical monthly single family residential SSC are attributable to the City’s conservation efforts. See “Financial Operations of the Wastewater System – Number of Customers and Billable Wastewater Volume” herein.

Rate Setting Process

The City is required by the General Resolution to establish rates and charges for the use of the System to produce Net Revenues in each year at least equal to 125 percent of actual debt service on all Senior Lien Bonds in such year, and by the Subordinate General Resolution to establish rates and charges to produce Net Revenues in each year at least equal to 110 percent of actual debt service on Senior Lien Bonds and Subordinate Bonds, in such year. The SSC, the QSF, the SFC, Industrial Waste Inspection and Control Fees, Bonded Sewer Fees and other miscellaneous fees and charges are established by ordinance adopted by a majority vote of the City Council and approved by the Mayor and become effective after a posting period of 30 days from the date of its publication.

The Bureau of Sanitation annually reviews the System's rates and charges as part of the budgetary process. The Mayor and City Council may enact rate increases as part of the budgetary process or at any time upon recommendation by the Bureau of Sanitation and City Administrative Officer. The Mayor is required each year to submit a proposed budget to the City Council by April 20. The proposed budget is prepared by the City Administrative Officer and reflects the Mayor's budget priorities as established by the Mayor's budget policy letter distributed to City departments early in the Fiscal Year.

The Mayor's proposed budget is reviewed by the Budget and Finance Committee of the City Council, which recommends the proposed budget, with any modification, to the City Council. The City Council is required under the City Charter, to adopt the proposed budget, as modified, by June 1. The Mayor has five working days after adoption to veto any items modified by the City Council. The City Council then has five working days to override by a two-thirds vote any items changed by the Mayor.

The adopted budget is subject to mid-year revisions to reflect passage of the State budget and any resulting increases or decreases in State payments to the City, any changes in revenue projections and unexpected adjustments in expenditures.

The City has adopted a series of rate increases for the SSC, SFC and QSF that will become effective through July 1, 2020 without further action by the City. See "Financial Operations of the Wastewater System – Sewer Rates and Revenues" herein. The City complied with the notice and hearing requirements of Proposition 218 (see "Proposition 218" below) in setting the new rates for the Sewer Service Charge and the Quality Surcharge Fee, the only user fees to which Proposition 218 applies.

Proposition 218

On November 5, 1996, California voters approved an initiative known as the Right to Vote on Taxes Act ("Proposition 218") that added Articles XIIC and XIID to the California Constitution. Proposition 218 limits the application of property-related fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing. Proposition 218 also extended the initiative power to reducing or repealing local property-related fees and charges, regardless of the date such fees and charges were imposed. Fees and charges for sewer, water and refuse collection services are excepted from the voter approval provisions of Proposition 218 pursuant to Article XIID. Because water and sewer charges are similarly treated under Article XIID, the City believes that the judicial determinations with respect to water charges, as described below, would also apply to sewer charges.

Section 1 of Article XIIC requires majority voter approval for the imposition, extension or increase of general taxes and Section 2 thereof requires two thirds voter approval for the imposition, extension or increase of special taxes. Section 3 of Article XIIC expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date

such taxes, assessments, fees or charges were imposed. Section 3 expands the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Article XIIC to fees imposed after November 6, 1996, the effective date of Proposition 218, and absent other legal authority could result in the reduction in any existing taxes, assessments or fees and charges imposed prior to November 6, 1996.

“Fees” and “charges” are not expressly defined in Article XIIC or in SB 919, the Proposition 218 Omnibus Implementation Act enacted in 1997 to prescribe specific procedures and parameters for local jurisdictions in complying with Article XIIC and Article XIID (“SB 919”). However, on July 24, 2006, the California Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil (Kelley)* (the “*Bighorn Decision*”) that charges for ongoing water delivery are property-related fees and charges within the meaning of Article XIID and are also fees or charges within the meaning of Section 3 of Article XIIC. The California Supreme Court held that such water service charges may, therefore, be reduced or repealed through a local voter initiative pursuant to Section 3 of Article XIIC.

In the *Bighorn Decision*, the California Supreme Court did state that nothing in Section 3 of Article XIIC authorizes initiative measures that impose voter-approval requirements for future increases in fees or charges for water delivery. The California Supreme Court stated that water providers may determine rates and charges upon proper action of the governing body and that the governing body may increase a charge which was not affected by a prior initiative or impose an entirely new charge. The Supreme Court further stated in the *Bighorn Decision* that it was not holding that the initiative power is free of all limitations and was not determining whether the initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay debt service on bonded debt and operating expenses. Such initiative power could be subject to the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution. Additionally, SB 919 provides 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 [the effective date of Proposition 218] 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. No assurance can be given that the voters of the City will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the City’s SSC, which are a significant source of Revenues pledged to the payment of debt service on Series 2015AB Senior Lien Bonds.

Notwithstanding the fact that the SSC may be subject to reduction or repeal by voter initiative undertaken pursuant to Section 3 of Article XIIC, the City has covenanted to establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System which meet the requirements of the Resolutions and in accordance with applicable law.

Article XIID defines a “fee” or “charge” as any levy other than an *ad valorem* tax, special tax, or assessment imposed upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property-related service. A “property-related service” is defined as “a public service having a direct relationship to a property ownership.” In the *Bighorn Decision*, the California Supreme Court held that a public water agency’s charges for ongoing water delivery are fees and charges within the meaning of Article XIID. Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID also includes a number of limitations applicable to existing fees and charges including provisions to the effect that (i) revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service; (ii) such revenues shall not be used for any purpose other than that for which the fee or charge was imposed; (iii) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel; and (iv) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

The City believes that current sewer fees and charges that are subject to Proposition 218 should comply with the provisions thereof or are immune from legal challenge and that the City will continue to comply with the rate covenant set forth in the General Resolution in conformity with the provisions of Article XIID of the California State Constitution. The City also believes that its sewer connection charges, Industrial Wastewater Permit Application Fees, Inspection and Control Fees and Sewerage Facilities Charges are not subject to the requirements of Article XIID. Should it become necessary to increase the sewer fees and charges above current levels, the City would be required to comply with the requirements of Article XIID in connection with such proposed increase. No assurance can be given that the voters of the City will not, in the future, approve initiatives which repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the City's service fees and charges.

Implementing legislation pertaining to Proposition 218 may be introduced in the State legislature from time to time. Moreover, Proposition 218 was adopted as a measure that qualified for the ballot pursuant to California's initiative process. From time to time other initiative measures could be adopted to modify Proposition 218. No assurance may be given as to the terms of such legislation or initiatives or their potential impact on the various fees and charges that constitute Revenues of the System, however, there could be a material negative impact on the City's ability to collect such Revenues.

On November 2, 2010, voters of the State approved Proposition 26 ("Proposition 26"), which amended Article XIIC of the State Constitution to expand the definition of a "tax" so that certain fees and charges imposed by governmental entities are subject to approval by two-thirds of each house of the State Legislature or approval by local voters, as applicable. Proposition 26 lists several exceptions to such definition of "tax", including property-related fees imposed in accordance with Article XIID (Proposition 218), reasonable regulatory costs of performing investigations and inspections, and charges imposed as a condition of property development. The City believes that Proposition 26 does not apply to any of the User Fees imposed by the City because such fees are within various exceptions to Proposition 26.

Water Usage

General. The ability of the System to operate effectively is affected by the water supply for the City. DWP's Los Angeles Aqueduct supply deliveries have, over the years, been reduced to fulfill environmental restoration commitments in the Mono Basin and Owens Valley. As a result, DWP has increased its purchase of water from The Metropolitan Water District of Southern California ("MWD"), a wholesale water supplier for the Southern California region. The DWP is working with MWD to develop supply reliability for the City and all of MWD's service area. On April 14, 2015, MWD's Board of Directors approved an allocation plan that will reduce imported water deliveries to its member agencies, including the City, by 15% starting July 1, 2015. The allocation plan will include a surcharge, ranging from \$1,480 - \$2,960 per acre-foot of additional water, for any member agency that fails to meet the 15% reduction. According to MWD, this is the fourth time it has restricted imported supplies in response to drought conditions, the last being a 10% cutback from July 2009 to April 2011. The adequacy of MWD's overall future supply reliability is dependent upon maintaining the supply of water available to MWD

from the Colorado River and northern California, through the State Water Project's California Aqueduct operated by the State of California Department of Water Resources and various projects relating to water conservation, recycled water, conjunctive use, water transfers and exchanges, groundwater recovery and seawater desalination. See also "– Number of Customers and Wastewater Usage," below.

The adequacy of DWP's water supply is affected by many factors, including but not limited to annual snowpack and rainfall, population growth, water use, groundwater basin quality and recharge trends, federal and State environmental rules and regulations, environmental restoration commitments, water quality, climate change, and area of origin issues. Sustained drought conditions or continued low water levels could adversely affect DWP's water supply, water rates and demand for water services. Additionally, any natural disaster or other physical calamity, including acts of terrorism, earthquake, earth movements, floods, extreme weather or gradual climate change, may have the effect of reducing water availability, quality and/or distribution capabilities of DWP, impair the financial stability of DWP, affect infrastructure and other public improvements and private improvements and the continued habitability and enjoyment of such private improvements thus affecting revenues of DWP through damage to the Water System and to the economy of the surrounding area. See "Risk Factors – Risks Relating to the Water Supply" herein.

The current SSC rates and schedule of rate increases that were adopted in 2012 did not contemplate the extent of the water conservation which has since occurred. Further, the State's and City's continued drought conditions have prompted various actions to further reduce water consumption. On January 17, 2014, the Governor declared a drought state of emergency, asked residents to reduce their water consumption by twenty percent and directed State agencies to take certain actions to ameliorate the shortage of water. On October 14, 2014, Los Angeles Mayor Garcetti issue Executive Directive Number Five (the "Mayor's Executive Directive") setting a goal of reducing per-capita water use by twenty percent in the City, directing City departments to take certain actions to meet the goal, and asking City residents to take certain voluntary actions. In March 2015, the State Water Resources Control Board adopted expanded emergency regulations requiring mandatory water conservation measures and the Governor and State Legislative announced a \$1.059 billion package to accelerate funds for flood protection projects and help the State address various drought-related environmental issues. On April 1, 2015, the Governor issued a drought order requiring a 25 percent reduction in urban water usage statewide, compared to 2013 levels. Cities with relatively high per-capita water usage will be required to reduce their usage more than other cities. The City currently has lower per-capita water usage than the State average. Specific regulations implementing the ordinance have not yet been issued, so the water usage reduction required of the City is unknown. Though the order provides for rebates for replacing high-water use appliances, it focuses more on reducing water use for landscaping. Because most water conservation resulting from compliance with the State order and the Mayor's Executive Directive will occur in landscaping and other uses not tributary to the sewer, the System's budgeted SSC revenues assume a five percent reduction in sewage contributed by the System customers in Fiscal Year 2016. The City expects to manage the System using the additional revenues to be generated by the SSC rates and scheduled rate increases adopted in 2012. The City does not expect to raise SSC rates above the previously adopted schedule of rate increases during the projection period. However, the City could raise additional SSC revenues by increasing the default percentage discharge for commercial customers from 93 percent to 94 percent. The City could also reduce the capital improvement program to a level commensurate with the reduced revenues. See "Risk Factors - Potential Impact of Drought and Other Risks Relating to the Water Supply" herein.

City Water Supply Plan. The City has developed a Water Supply Action Plan (the "Water Supply Plan") to address Los Angeles' water needs through 2030 through, among other things, water conservation and water recycling. The Water Supply Action Plan seeks to develop water supply sustainability to the City through development of local resources and no net increase in imported water

supply deliveries. The City expects that, with coordinated efforts with MWD and DWP, MWD's and DWP's water supplies will be sufficient to meet the City's future demands.

Number of Customers and Billable Wastewater Volume

The following table sets forth the number of wastewater system customers and billable wastewater volume subject to SSC during the past five fiscal years.

**TABLE 13
WASTEWATER SYSTEM CUSTOMERS AND
BILLABLE WASTEWATER VOLUME**

<u>Customer Class</u>	Number of Customers				
	Fiscal Year Ended June 30				
	2010	2011	2012	2013	2014⁽⁴⁾
Single Family	463,999	474,442	478,925	481,591	466,801
Small Multifamily	71,909	71,471	71,871	72,134	72,450
Large Multifamily	43,391	43,749	44,092	44,268	39,751
Commercial/Industrial	56,406	56,221	56,806	56,976	50,170
All Others	4,992	4,974	5,126	5,195	1,340
Total Customers	<u>640,697</u>	<u>650,857</u>	<u>656,820</u>	<u>660,164</u>	<u>630,512</u>

<u>Customer Class</u>	Billable Wastewater Volume⁽¹⁾				
	Fiscal Year Ended June 30				
	2010	2011	2012	2013	2014
Single Family ⁽²⁾	55,736	51,125	50,693	51,457	45,506
Small Multifamily ⁽²⁾	14,727	14,183	13,711	12,961	12,595
Large Multifamily ⁽³⁾	46,032	45,836	46,071	47,710	44,478
Commercial/Industrial ⁽³⁾	31,912	31,767	31,584	32,747	35,458
All Others ^(3,5)	3,942	4,276	4,663	5,750	8,819
Total Billable Wastewater Volume	<u>152,349</u>	<u>147,187</u>	<u>146,722</u>	<u>150,625</u>	<u>146,856</u>

Source: City of Los Angeles, Bureau of Sanitation.

⁽¹⁾ In thousands of hcf (hundred cubic feet).

⁽²⁾ Billable wastewater volume for single family and multi-family dwellings of up to four units are based on each residential customer's minimum average daily water consumption during the winter water use, further reduced by a dry weather compensation factor.

⁽³⁾ Prior to April 6, 2012, billable wastewater volume was generally equal to 90 percent of total annual water sales volume. All customers who could demonstrate that their billable wastewater volume was less than 72 percent of annual water sales were billed at the lower estimate. See "Financial Operations of the Wastewater System – Sewer Rates and Revenues" for a description of adjustments to the default percentage discharge for commercial customers that became effective on April 6, 2012.

⁽⁴⁾ The numbers of customers in some classes have been reduced in DWP's new billing system because multiple accounts for a single owner can be counted as one account. See "– Billing and Collection – Sewer Service Charge" herein.

⁽⁵⁾ Prior to April 6, 2012, certain public agencies only paid the O&M portion of the SSC. This was reflected on their bills as an adjustment to the volume, rather than the rate. The Fiscal Year 2013 Billable Wastewater Volumes reflect the full volume, for which the agencies now pay both the O&M and capital share of the SSC.

The changes in billable wastewater volume in Fiscal Years 2010 through 2014 were caused in large part by changes in the number of customers and the success of water conservation measures, which were mandatory beginning June 1, 2009. Although the number of customers increased in Fiscal Years

2010 through 2012, the billable wastewater volume continued to decrease due to water conservation. The number of system customers decreased in Fiscal Year 2014 because the new billing system implemented by DWP in September 2013 allowed certain multiple accounts to be counted as single accounts. The billable wastewater volume was reduced again in 2014 due to water conservation. The lower billable wastewater volumes resulted in reductions in revenue that would otherwise have been generated had the wastewater volume not declined in Fiscal Years 2010, 2011, 2012 and 2014 of approximately \$40 million, \$57 million, \$26 million and \$27 million respectively. The first three reductions were accounted for in the 2012 rate adjustment calculations, which included an adjustment to the default percentage discharge for commercial customers from 90 percent to 93 percent. However, billable wastewater volume is projected to decrease by one percent in Fiscal Year 2015 and a further five percent in 2016. See “Financial Operations of the Wastewater System – Sewer Rates and Revenues – Sewer Service Charge” herein.

The following table sets forth the projected number of System customers and billable wastewater volume subject to SSC for Fiscal Years 2015 through 2019.

**TABLE 14
PROJECTED WASTEWATER SYSTEM CUSTOMERS AND
BILLABLE WASTEWATER VOLUME**

Customer Class	Number of Customers Fiscal Year Ended June 30				
	2015	2016	2017	2018	2019
Single Family	466,950	467,100	467,250	467,400	467,550
Small Multifamily	72,510	72,570	72,630	72,680	72,740
Large Multifamily	39,780	39,810	39,840	39,870	39,900
Commercial/Industrial	50,200	50,220	50,250	50,270	50,300
All Others	1,340	1,350	1,350	1,360	1,360
Total Customers	<u>630,780</u>	<u>631,050</u>	<u>631,320</u>	<u>631,580</u>	<u>631,850</u>

Customer Class⁽¹⁾	Billable Wastewater Volume⁽²⁾ Fiscal Year Ended June 30				
	2015	2016	2017	2018	2019
Single Family ⁽³⁾	45,836	43,559	43,572	43,586	43,600
Small Multifamily ⁽³⁾	11,965	11,375	11,384	11,393	11,402
Large Multifamily ⁽⁴⁾	42,760	40,718	40,814	40,910	41,007
Commercial/Industrial ⁽⁴⁾	35,218	33,474	33,491	33,507	33,524
All Others ⁽⁴⁾	9,455	9,011	9,038	9,066	9,094
Total Billable Water Sales	<u>145,234</u>	<u>138,137</u>	<u>138,299</u>	<u>138,462</u>	<u>138,627</u>

Source: City of Los Angeles, Bureau of Sanitation.

- (1) Assumes a decline in billable wastewater volume for Fiscal Year 2016 and an increase in billable wastewater volume thereafter. Notwithstanding the decline in wastewater volume resulting from conservation efforts, growth in billable wastewater volume is assumed for Fiscal Year 2017 through 2019 because of the continued growth in the number of customers.
- (2) In thousands of hcf (hundred cubic feet).
- (3) Billable wastewater volume for single family and multifamily dwellings of up to four units are based on each residential customer's minimum average daily water consumption during the winter water use period, as adjusted by a dry weather compensation factor.
- (4) Billable wastewater volume is generally equal to 93 percent of total annual water sales volume, subject to adjustment in connection with DWP water conservation policy changes. See "Financial Operations of the Wastewater System – Sewer Rates and Revenues" for a description of adjustments to the default percentage discharge for commercial customers through Fiscal Year 2021. All customers who can demonstrate that their billable wastewater volume is less than 74 percent of annual water sales are billed at the lower estimate.

Billing and Collection

Sewer Service Charge. Billing and collection services for the SSC are provided by the DWP. Residential customers are predominately billed bimonthly and commercial and industrial customers are generally billed on a monthly basis. Some customers whose bills are disputed are billed by the Office of Finance. The DWP prepares a single bill covering charges for water, electric, sewer, solid waste collection and recycling services, multi-family bulky item collection, and State and local taxes and payments received by DWP are credited to the billed amounts in the following order: water charges,

electric charges, State and local taxes, SSC and sanitation equipment charge. Payments received are generally credited first to amounts in arrears and then to the current amounts for each charge in the priority described above. The DWP transfers projected SSC revenue to the SCM Fund on a weekly basis. The first three transfers of the month are based on expected revenues. The last payment of the month is adjusted for the actual revenues received for the month, less a monthly billing and collection fee of \$248,400.

If a customer pays less than the amount billed for a billing period, then the payment is credited to the various utility services in the order set forth in the preceding paragraph. Payments received for the following billing period are credited first to the services in arrears, and then to the current services in the order set forth in the preceding paragraph. This procedure in effect brings any customer's delinquent sewer service charges current, prior to applying payments against current charges, including water and electric.

The DWP policy for most customers is that when a utility accounts receivable (water or electric) in arrears is \$150 or greater, a late payment charge of 18 percent per annum is applied. When the total accounts receivable in arrears reaches \$250, a collection procedure is started. The first step in this procedure is a "final notice." This notice is mailed to the customer 20 days after the current bill's issue date, when the past due balance of the account reaches a certain threshold in arrears (varies depending on the customer's credit standing with DWP). This notice provides the customer a 'last day to pay', typically two weeks from the date this final notice is issued.

A five-day shut off notice is issued to the customer after the 'last day to pay' date, which is approximately 37 days from the bill issue date, if the delinquent amount remains over \$250. A customer's failure to pay by the conclusion of the five-day period leads to a temporary shut off of water and/or electrical service on the first field call. Should the bill remain unpaid ten days after the initial shut off, the water and/or electrical service may be permanently discontinued if a follow-up check in the field confirms this customer is no longer at the service location.

Certain DWP customers receive water and electric service by means of a master meter which may serve multiple dwelling units. Water and electrical service to multiple dwelling unit residences served by a master meter may be disconnected for non-payment. In February 1998, the DWP implemented the Utility Maintenance Program as an alternative to the termination of master-metered service. This program is an extension of the existing Rent Escrow Accounts Program. Tenants who participate in the program have the option of putting their rent into an escrow trust fund established by the Los Angeles Housing Department to maintain utility services until such time as the delinquent bill is paid in full.

Customer accounts where the water and/or electrical service are disconnected due to non-payment are monitored by DWP collections personnel. Unless a customer vacates the service location, DWP collections personnel will continue to regard the customer's account as an active account and attempt collection of the delinquent amount. Should the customer vacate the service location, a closing bill is generated which initiates further collection efforts. An outside collection agency may be used on accounts with \$10.00 to \$4,999.99 outstanding as soon as 45 days after the closing bill is issued. Accounts with \$5,000.00 or more outstanding are referred to the City Attorney for legal action. If the delinquent amount remains outstanding approximately three months after the closing bill has been issued, the amount owed is transferred into "write off", where collection efforts will be maintained for up to four years from the closing bill issue date. The four year period may be extended by up to one year under certain circumstances. However, due to the temporary changes in collections practices, in 2014, no amounts were written off.

In September 2013, DWP implemented a new customer information system. In the initial months after implementation, DWP experienced delayed bills in connection with the use of the new system, caused by customer accounts that were missing meter reading information or meeting other exception processing criteria, and certain customer bills were held in a queue for manual review and intervention prior to release of such bills. There was also an increase in estimated bills that are sent to customers where metering information was not available. Delayed billing and reduced collection efforts resulted in customer payments below the anticipated levels. DWP implemented a multipart strategy to address these issues, which resulted in substantial reductions in the overall value of delayed bills, reductions in the percentage of estimated bills, re-commencement of collections and improved cash collections. Certain collection delays appear to be continuing. DWP has instituted an action plan to assist customers in reducing their delinquent bills. This has resulted in a reduction of total accounts receivable for active accounts more than 90 days past due from \$300 million to \$230 million between January and April 2015, which is a 23 percent reduction. A State audit has been instituted in connection with the implementation of the new customer information system and the billing issues that arose therefrom. The report was released on March 10, 2015 and contained recommendations for improvements to the management of large information technology projects in the future.

In Fiscal Year 2014, SSC collections were approximately \$51 million lower than budgeted, approximately \$14 million of which is attributed to reduced water consumption, with the remaining amount due to delays in billings and collections. The shortfall of SSC collections by DWP has continued in Fiscal Year 2015; collections from July through March 2015 were 15.3 percent below budget. For the entire Fiscal Year 2015, the Bureau of Sanitation estimates total SSC revenue of \$508 million, a reduction of \$94 million, or 15.6 percent below budget for the year. Approximately \$21 million of this amount is attributed to water conservation, \$13 million relates to overestimates of revenue from certain customers who only pay for sewage conveyance because their wastewater treatment is provided by another agency, and the remaining amount relates to delays in collections of amounts from both Fiscal Years 2014 and 2015. The Fiscal Year 2015 budgeted amount included an assumption that \$25 million in uncollected revenues from Fiscal Year 2014 would be recovered. The Fiscal Year 2015 budgeted amount was not based on the reduced water consumption in Fiscal Year 2014 due to the timing of the budget cycle and the unavailability of reports immediately after the billing conversion. The estimated Fiscal Year 2015 revenue is 2.1 percent less than the actual revenue in Fiscal Year 2013, notwithstanding the two rate adjustments that have occurred since 2013. The estimated SSC revenue for the balance of Fiscal Year 2015 depends on various factors, including how many customers leave the service area, resulting in the write-off of their past due amounts, and how soon all residential past-due customers will receive service shut-off notices. DWP's new billing system permits past-due amounts to continue to accrue to customers who move so long as they remain within the service area. The Bureau of Sanitation and DWP continue to work together to refine projections of the impact of water conservation on the SSC revenues.

The following table sets forth the SSC budgeted, billed, and collected amounts for Fiscal Years 2013 through 2015:

TABLE 15
SSC BILLINGS AND COLLECTIONS
Fiscal Years 2013 through 2015
(in Thousands)

Fiscal Year	Budgeted SSC Revenue	Billed SSC Revenue	Collected SSC Revenue	Billed as a Percent of Budget	Collections as a Percent of Billed
2013	\$516,191	\$527,099	\$518,937	102.1	97.5
2014	542,000	506,884	491,135	93.5	96.9
2015 ⁽¹⁾⁽²⁾	602,000	528,962	496,978	87.9	94.0

Source: City of Los Angeles, Bureau of Sanitation.

⁽¹⁾ Projected.

⁽²⁾ Budgeted revenues in Fiscal Year 2015 included an assumption of recovery of \$25 million from uncollected Fiscal Year 2014 billings. Removing this amount results in a "Billed as a percent of Budget" amount of 91.7.

The City expects that by July 2015 SSC collections by DPW to resume pre-September 2013 levels (i.e., the levels prior to implementation of the new customer information system). The City also expects to ultimately recover certain of the delinquent payments accrued during the billing delays described above.

Sewerage Facilities Charge. The SFC is collected along with Bonded Sewer Fees and Tapping Fees as part of the building permit and sewer connection permit application procedures. Permits are not granted until the SFC payment has been received. The SFC, Bonded Sewer Fees, and Tapping Fees are deposited by the Department of Public Works directly into the SCM Fund as received by the City.

Industrial Waste Charges. Billings for QSF, Inspection and Control Fees and SIU Fees are prepared by the Bureau of Sanitation, Industrial Waste Management Division. All customers are billed quarterly in arrears except for dental offices that are billed annually in advance. Payments are remitted to the Department of Public Works and deposited directly into the SCM Fund.

All fees that are not paid by the end of the month in which they are due become delinquent and a delinquency charge of 2.5 percent of the principal balance owed is added to the amount due. The delinquent dates are February 1, May 1, August 1 and November 1. Delinquent accounts are referred to a collection agency or to the Office of Finance for collection activities within 45 days of the delinquent date.

Wastewater Service Contract Charges. Billings under the Universal Terms Contracts and the older Sewage Disposal Contracts are prepared annually by the Department of Public Works according to the contractual obligation of each Agency or Entity (as described in "The Wastewater Service Area and Facilities-Subscribing Agencies" herein) to pay its contractual share of operation and maintenance ("O&M") expenses and capital costs of the System. Allocations of O&M expenses and capital costs are prepared by the Bureau of Sanitation. Under contractual provisions, O&M and capital bills for those Agencies with Universal Terms Contracts are payable in advance with a later reconciled bill to adjust for actual costs. For other Entities, O&M and capital bills are payable in arrears. Some of the Sewage Disposal Contracts do not specify the timing of capital bills and, in nearly all such cases, they are billed semiannually in arrears.

The City has certain billed accounts receivable with respect to these charges. The Universal Terms Contracts between the City and most Agencies allow the City to collect late payment charges. Late payment charges are not authorized under the older contracts, which provide less than one percent of the total billings to the Agencies and other Entities. It is the City’s policy to carefully monitor its accounts receivable. If payment is not made by the contractual due date, overdue notices are sent and telephone contact made to determine why payment was not made. The City has not terminated service when an Entity failed to pay these charges because of the essential nature of the service provided to the Entities by the System. In those cases where late payments do occur, the City has imposed late charges sufficient to offset any lost revenues as a result of such delinquencies.

Labor and Employment

Several City departments and bureaus contribute labor and employee time to the operation of the System. See “Organization and Management of the System” herein. The primary labor and employment budget for the System is that of the Bureau of Sanitation, whose authorized workforce is as shown in the following table:

**TABLE 16
BUREAU OF SANITATION AUTHORIZED POSITIONS**

Fiscal Year Ending June 30	Authorized Number of Positions
2011	1,318
2012	1,251
2013	1,249
2014	1,250
2015	1,242

The Bureau of Sanitation workforce is 99% unionized under a number of separate labor organizations that collectively refer to themselves as the Coalition of Los Angeles City Unions as well as the non-coalition Engineers and Architects Association. The City’s memoranda of understanding with the majority of bargaining units represented by the Coalition of Los Angeles City Unions were effective through Fiscal Year 2014. The City’s contract and the International Union of Operating Engineers (MOU 9) was effective through Fiscal Year 2013. The City is in negotiations with these bargaining units for successor agreements. The City’s contracts with the Engineers and Architects Association are effective through Fiscal Year 2016. See Appendix A “City of Los Angeles Information Statement – Financial Operations – Labor Relations” attached hereto.

During Fiscal Year 2010, as part of the Early Retirement Incentive Program described in Appendix A hereto, certain System positions were eliminated and many employees performing work for the System received work hour reductions ranging from 59.5 hours to 26 days. There were no such work hour reductions in Fiscal Years 2011 through 2014, and no work hour reductions are expected for Fiscal Year 2015. The System has not experienced any work stoppage since 2006 and does not anticipate any work stoppage. [Confirm.]

Retirement and Other Postemployment Benefits Contributions

The City’s annual required contribution to the Los Angeles City Employee’s Retirement System (“LACERS”) includes amounts related to the retirement benefits and other postemployment healthcare benefits (“OPEB”) of City employees who work on the System, which are attributable to the SCM Fund. See Appendix A – “City of Los Angeles Information Statement – Financial Operations – Retirement and

Pension System” and “– Other Post-Employment Benefits” attached hereto. Such System-related expenses, including any additional amounts relating to the Early Retirement Incentive Program, are first paid from the City’s General Fund and subsequently reimbursed from the SCM Fund through application of a Cost Allocation Plan (“CAP”), which is subject to approval each year by the Federal government in connection with on-going grant compliance procedures. The CAP is based on historical data from the prior two years. Annual OPEB amounts attributable to the SCM Fund are included in the retirement calculations for the CAP rates applicable to the System.

As of June 30, 2014, the System’s percentage share of the City’s pension and OPEB costs was 7.83 percent. The System’s percentage share of such costs may increase or decrease from year to year depending on, among other things, the number of covered employees attributable to the SCM Fund, the overall number of City employees and the retirement benefits accruing to the respective employees. The following table sets forth retirement and OPEB contributions from the SCM Fund for Fiscal Years 2010 through 2014.

**TABLE 17
SEWER CONSTRUCTION AND MAINTENANCE FUND
RETIREMENT AND OPEB CONTRIBUTIONS**

Fiscal Year	Total City Contribution ⁽¹⁾	Wastewater System Contribution ⁽²⁾	Wastewater System Percentage
2010	\$298,215,000	\$21,539,812	7.22%
2011	339,136,000	22,787,102	6.72
2012	351,735,000	28,896,535	8.22
2013	342,188,000	27,402,873	8.01
2014	367,772,000	28,780,215	7.83

Source: City of Los Angeles, Office of the City Administrative Officer.

⁽¹⁾ Total City contributions are based on the CAP, which is based on actual historical data that lags by two years and is reconciled by an adjustment factor.

⁽²⁾ Based on the City’s overhead rates for the respective Fiscal Year for budget purposes.

The System’s contribution to the City’s pension and OPEB costs for Fiscal Year 2015 is expected to be \$31,937,635, which is approximately 7.76% of the City’s pension cost and 3.90% of the System’s budget. The City is currently projecting significant increases to the amount it will contribute to LACERS over the next three years. See Appendix A – “City of Los Angeles Information Statement – Financial Operations – Retirement and Pension System” and “– Other Post-Employment Benefits” attached hereto for a description of the City’s historical and current projected pension and OPEB contributions. Because of the manner in which the SCM Fund retirement and OPEB contributions are determined, the City’s projected retirement and OPEB contribution increases will impact the SCM Fund beginning in Fiscal Year 2013. The System’s projected share of the City’s projected contributions to LACERS are included in the pro forma statement of financial operations included herein. See “– Projected Operation and Maintenance Expenses” herein.

The City’s current retirement contribution projections, as set forth in Appendix A, are based on, among other things, information provided by LACERS’ actuary and LACERS’ current actuarial assumptions, which are based on the results of LACERS’ most recent triennial experience study. Actual retirement and OPEB costs attributable to the SCM Fund may be more or less than and may vary materially from the amounts included in the projections for the System. The System has experienced similar fluctuations in expenditures in the past and will make adjustments to revenues and expenditures as

necessary to address any such changes in expenditures. There can be no assurance that the retirement and OPEB costs attributable to the SCM Fund will not materially increase.

Cash Receipts and Disbursements

The following table sets forth unaudited cash receipts and disbursements of the SCM Fund for Fiscal Years 2010 through 2014.

TABLE 18
SEWER CONSTRUCTION AND MAINTENANCE FUND
SUMMARY OF OPERATIONS AND DEBT SERVICE COVERAGE
CASH BASIS (UNAUDITED) (in Thousands)

	Fiscal Year Ended June 30				
	2010	2011	2012	2013	2014
OPERATING RECEIPTS					
Sewer Service Charge	\$478,333	\$477,118	\$456,308	\$518,937	\$491,135
Sewerage Facilities Charge	4,172	10,219	4,606	9,328	12,061
Industrial Waste Fees ⁽¹⁾	16,065	17,135	15,399	14,735	16,222
Wastewater Service Contracts ⁽²⁾	16,097	12,991	15,221	16,540	19,290
Interest Income ⁽³⁾	3,743	3,789	3,845	4,324	2,448
Other	7,890	4,317	1,739	3,172	2,592
Total Operating Receipts	<u>\$526,300</u>	<u>\$525,569</u>	<u>\$497,118</u>	<u>\$567,036</u>	<u>\$543,748</u>
Non-Operating Revenues ⁽⁴⁾	2,756	6,179	14,163	12,548	8,789
TOTAL REVENUES	<u>\$529,056</u>	<u>\$531,748</u>	<u>\$511,281</u>	<u>\$579,584</u>	<u>\$552,537</u>
LESS OPERATING EXPENSES⁽⁵⁾	<u>238,635</u>	<u>254,727</u>	<u>267,850</u>	<u>264,137</u>	<u>286,581</u>
NET REVENUES	<u>\$290,420</u>	<u>\$277,021</u>	<u>\$243,431</u>	<u>\$315,447</u>	<u>\$265,956</u>
SENIOR DEBT					
Debt Service ⁽⁶⁾	\$102,818	\$107,579	\$112,551	\$118,023	\$97,924
Debt Service Coverage ⁽⁶⁾	2.82	2.58	2.16	2.67	2.72
SUBORDINATE DEBT SERVICE					
Commercial Paper Notes	\$ 875	\$ 301	\$ 0	\$ 105	\$ 0
Variable and Fixed Rate Subordinate Bonds	56,760	59,010	70,664	76,754	79,074
State Revolving Fund Loan	13,605	13,605	13,605	13,605	13,605
TOTAL DEBT	<u>\$174,058</u>	<u>\$180,495</u>	<u>\$196,820</u>	<u>\$208,487</u>	<u>\$190,603</u>
Debt Service without SRF Loans ⁽⁶⁾	160,453	166,890	183,215	194,882	176,998
Debt Service Coverage ⁽⁶⁾	1.81	1.66	1.33	1.62	1.50
NET REVENUES AFTER DEBT SERVICE	<u>\$116,362</u>	<u>\$ 96,526</u>	<u>\$ 46,611</u>	<u>\$106,960</u>	<u>\$ 75,353</u>
NON-OPERATING REVENUES					
Grant Reimbursement	\$ 0	\$ 0	\$ 1,340	\$ 2,231	\$ 8,383
Wastewater Service Contracts ⁽⁷⁾	15,382	9,757	9,541	8,196	12,153
FEMA Reimbursement	5	1,088	0	27	1,224
Total Non-operating Revenues	<u>\$ 15,387</u>	<u>\$ 10,845</u>	<u>\$ 10,881</u>	<u>\$ 10,454</u>	<u>\$ 21,760</u>
NON-OPERATING EXPENSES					
Deposits to Escrow Accounts ⁽⁸⁾	\$ 0	\$ 4,335	\$ 0	\$ 1,524	\$ 0
BALANCE AVAILABLE^(9, 10, 11)	<u>\$131,750</u>	<u>\$103,036</u>	<u>\$57,492</u>	<u>\$115,890</u>	<u>\$ 97,113</u>

(Table continued on next page.)

(Table continued from prior page.)

Source: City of Los Angeles, Office of Accounting. Amounts above were prepared on a cash basis and differ from amounts in the Debt Service Compliance Report for the Fiscal Year ended June 30, 2014 (With Independent Auditor's Report Thereon) attached as Appendix E hereto, which were prepared on an accrual basis.

- (1) Includes Quality Surcharge Fees, Permit Application Fees, Inspection and Control Fees, and SIU Fees.
- (2) Operations and maintenance portion of Wastewater Service Contract payments (excluding capital charge component, which is not treated as Revenues).
- (3) Interest on all SCM funds except construction funds. Amounts in the SCM Fund are invested separately from amounts from the City's General Fund.
- (4) Includes non-operating revenues considered in the debt service coverage calculation as defined in the Wastewater General Resolution. The increase of \$7,984 in Fiscal Year 2012 was due to increased reimbursement from DWP for costs of the advanced water purification facility at the TIWRP and due to the sale of surplus property.
- (5) Operating expenses for Fiscal Years 2010, 2011, 2012, 2013 and 2014 include SSC refunds of approximately \$1,003,000, \$149,000, \$476,000, \$388,000 and \$435,000, respectively. Operating expenses in 2010 were lower due to mandatory 10% staff furloughs. Operating expenses increased between Fiscal Year 2013 to 2014 due to the payment of certain litigation settlement amounts.
- (6) Excludes SRF loan, which is subordinate to the Senior Lien Bonds, the Subordinate Bonds and the CP Notes.
- (7) This category includes only the capital portion of Wastewater Service Contract payments. The Entities' shares of the System's capital costs decreased as the total capital costs of the System has decreased. In addition, the proportion of capital costs billable to the Entities (i.e., the costs associated with treatment and larger conveyance projects) decreased as the City focused its resources on replacing smaller sewers to meet its CSSA goals. The City anticipates the total capital costs of the System and the Entities' shares of those costs will increase in future years.
- (8) Release of money in the Debt Service Fund and Reserve Fund in connection with the refunding of certain prior bonds.
- (9) Amount represents surplus Revenues equal to the balance of operating and non-operating revenues available for capital costs or other purposes. This category does not include prior Fiscal Year's ending fund balance or interest on all construction funds.
- (10) Balance of operating and non-operating revenues available for capital costs or other purposes. This category does not include prior fiscal year's ending fund balance or interest on all construction funds.
- (11) Decrease in available balance in Fiscal Year 2014 is a result of decrease in SSC revenues due to DWP's transition to a new billing system and the effect of water conservation.

Sewer Construction and Maintenance Fund Cash Balances

The following table sets forth the cash balances of the Sewer Construction and Maintenance Fund's unrestricted and restricted funds.

**TABLE 19
SEWER CONSTRUCTION AND MAINTENANCE FUND
CASH BALANCES IN ALL FUNDS (UNAUDITED)
(in Thousands)**

	As of June 30				
	2010	2011	2012	2013	2014
UNRESTRICTED FUNDS					
Sewer Construction and Maintenance ⁽¹⁾	\$ 56,768	\$ 63,654	\$ 64,564	\$102,856	\$ 75,651
Sewer Operation and Maintenance ⁽²⁾	31,124	20,555	11,169	14,400	24,333
Sewer Capital ⁽³⁾	25,496	14,948	14,948	8,840	18,424
Total Unrestricted Funds	\$113,388	\$99,157	\$90,681	\$126,096	\$118,408
RESTRICTED FUNDS					
Construction Funds ⁽⁴⁾	\$ 94,099	\$ 95,412	\$ 36,820	\$118,130	\$151,903
Reserve Funds ⁽⁵⁾	95,902	107,605	100,687	98,085	101,944
Debt Service Funds	13,298	18,917	18,854	17,441	20,510
Operation and Maintenance Reserve Insurance and Liability Claims Funds ⁽⁶⁾	3,000	3,000	3,000	3,000	3,000
Emergency Fund	5,000	5,000	5,000	5,000	5,000
Rebate Funds	431	400	400	431	366
Total Restricted Funds	\$246,007	\$264,610	\$195,037	\$278,640	\$319,750
TOTAL FUNDS	\$359,395	\$363,767	\$285,718	\$404,736	\$438,158

Source: City of Los Angeles, Office of Accounting, from records of the City Controller.

⁽¹⁾ Amounts in the SCM Fund have been temporarily loaned to the City General Fund from time to time. Such loans are typically repaid to the SCM Fund within a few days, with interest, in each case within the applicable fiscal year. No such loans have been made in the last several years.

⁽²⁾ O&M expenses are paid from revenues transferred from the SCM Fund.

⁽³⁾ Grant receipts and Wastewater Service Contract capital payments are deposited into this account.

⁽⁴⁾ These funds are funded with proceeds of the Senior Lien Bonds, Subordinate Bonds and CP Notes.

⁽⁵⁾ These funds are funded with proceeds of Senior Lien Bonds.

⁽⁶⁾ Amounts in these funds are restricted by City accounting practices and not by the General Resolution.

Property, Plant and Equipment

The City has consistently invested in its property, plant and equipment. Expenditures for property, plant and equipment of the System (at cost) was \$7.2 billion in Fiscal Year 2014, representing an approximate 30 percent increase in investment in the last ten Fiscal Years. Net debt represented approximately 64 percent of net plant as of June 30, 2014, which is down from a high of approximately 71 percent as of June 30, 1992 and up from the percentages over most of the last ten years. The following table sets forth the City’s expenditures on property, plant and equipment and the balances in the total debt attributable thereto for the last ten Fiscal Years.

**TABLE 20
SEWER CONSTRUCTION AND MAINTENANCE FUND
GROWTH IN PROPERTY, PLANT AND EQUIPMENT
(in Thousands)**

Fiscal Year Ended June 30	Property, Plant and Equipment (at cost)	Net Property, Plant and Equipment (depreciated)	Total Debt	Net Debt⁽¹⁾	Net Debt as Percent of Net Plant
2005	\$5,513,835	\$3,493,370	\$2,289,594	\$2,197,393	62.90%
2006	5,711,808	3,557,060	2,246,306	2,157,866	60.66
2007	5,902,111	3,655,261	2,202,492	2,113,482	57.82
2008	6,063,168	3,715,623	2,271,653	2,182,043	58.73
2009	6,332,843	3,831,965	2,405,516	2,306,865	60.20
2010	6,541,977	3,891,258	2,505,709	2,409,807	61.93
2011	6,684,116	3,865,681	2,567,085	2,459,480	63.63
2012	6,804,411	3,833,969	2,507,195	2,404,503	62.72
2013	7,000,335	3,863,746	2,582,893	2,484,657	64.31
2014	7,176,030	3,895,191	2,611,225	2,509,142	64.42

Source: City of Los Angeles, Office of Accounting.

⁽¹⁾ Total debt net of balances in debt service reserve funds.

Projected Operation and Maintenance Expenses

The following table sets forth the projection of total wastewater system operation and maintenance expenses by major service category and expense for Fiscal Years 2015 through 2019.

TABLE 21
PROJECTED OPERATION AND MAINTENANCE EXPENSES
(in Thousands)

	As of June 30				
	2015	2016	2017	2018	2019
Conveyance System	\$ 51,593	\$ 54,325	\$ 57,168	\$ 58,123	\$ 59,097
Wastewater Treatment:					
Hyperion System	123,374	123,947	141,518	141,521	136,362
Terminal Island System	14,964	14,229	15,176	15,472	15,775
Total Treatment	<u>138,338</u>	<u>138,176</u>	<u>156,694</u>	<u>156,993</u>	<u>152,137</u>
Departmental Support ⁽¹⁾	90,554	85,633	81,811	86,063	95,565
City Support Services ⁽²⁾	19,090	21,116	24,034	24,383	24,740
Total O&M Expenses	<u>\$299,575</u>	<u>\$299,250</u>	<u>\$319,707</u>	<u>\$325,562</u>	<u>\$331,539</u>

Source: City of Los Angeles, Bureau of Sanitation.

- (1) Includes Environmental Monitoring and Regulation, Industrial Waste Management, Wastewater Engineering Services, Executive, Administration, Financial Management, Information & Control Systems, and Industrial Safety and Compliance Divisions of the Bureau of Sanitation and other Bureau support services such as solid resources management.
- (2) Includes support services from City Departments or Offices outside of the Bureau of Sanitation. Also includes allowances for SSC refunds and billing services provided by the DWP.

The foregoing projection is based upon City estimates which reflect, as of the date of projection, analysis of historical costs, known and expected changes in future service requirements, increased costs due to treatment plant modifications and expanded operational procedures, and an overall estimate of future price escalation.

Projected Statement of Revenues and Expenditures

The following table sets forth a projected operations statement based on revenue and expenditure projections developed by the Bureau of Sanitation. This projected operations statement includes a number of assumptions, including that the number of customers will remain approximately the same as it is at this time and that water conservation measures enacted due to the present drought in the State will reduce wastewater usage by 5% in Fiscal Year 2016, with the reduction expected to continue through Fiscal Year 2019. The achievement of certain results or other expectations contained in the following table involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements reflected in the following table to be materially different from any future results, performance or achievements expressed or implied by such table. Although, in the opinion of the Bureau of Sanitation, such projections are reasonable, there can be no assurance that any or all of such projections will be realized or predictive of future results.

TABLE 22
PRO FORMA STATEMENT OF FINANCIAL OPERATIONS
UNDER INDICATED REVENUE LEVELS
(in Thousands)

Description	Fiscal Year Ending June 30				
	2015	2016	2017	2018	2019
REVENUES					
Rates As of July 1, 2014	\$ 515,472	\$ 483,564	\$ 484,150	\$ 484,706	\$ 485,263
Increased Rates	0	28,848	62,231	97,858	135,880
Total User Charges Revenue ⁽¹⁾	515,472	\$ 512,412	\$ 546,381	\$ 582,564	\$ 621,143
BABs and RZEDB subsidies ⁽²⁾	5,464	5,461	5,461	5,461	5,461
Other Revenue ⁽³⁾	61,955	62,450	73,942	66,414	69,536
Total Revenues	\$ 582,891	\$ 580,323	\$ 625,784	\$ 654,439	\$ 696,140
EXPENDITURES					
Operation & Maintenance Expense ⁽⁴⁾	\$ 299,575	\$ 299,250	\$ 319,707	\$ 325,562	\$ 331,539
Debt Service					
Senior Lien Bonds					
Existing Senior Lien Bonds ⁽⁵⁾	100,499	94,014	79,177	79,162	57,091
Series 2015A Senior Lien Bonds ⁽⁶⁾	0	9,396	8,924	8,924	8,924
Series 2015C Senior Lien Bonds ⁽⁶⁾	0	4,850	4,878	4,878	4,878
Additional Senior Lien Bonds ⁽⁷⁾	0	0	0	10,115	27,175
Subordinate Bonds					
Existing Subordinate Bonds ⁽⁸⁾⁽⁹⁾	88,876	95,058	109,287	109,580	129,541
Accruals for Subsequent Years ⁽¹⁰⁾	1,162	(88)	10,138	16,886	14,124
CP Notes ⁽¹¹⁾	733	467	3,000	4,000	4,000
SRF Clean Water Loans	13,605	13,605	13,605	13,605	13,605
Operating Reserve ⁽¹²⁾	(3,093)	(40)	2,522	722	737
Cash Financing of Construction	53,996	60,000	71,000	78,000	101,000
Additions to Minimum Operating Balance	27,538	3,811	3,546	3,006	3,526
Total Expenditures⁽¹³⁾	582,891	580,323	625,784	654,439	696,140

(Table continued on next page.)

(Table continued from prior page.)

Source: City of Los Angeles, Bureau of Sanitation.

- ⁽¹⁾ Includes increases effective on each of July 1 from 2015 through 2019. Assumes a one percent reduction in sewage volume for Fiscal Years 2015 and a five percent reduction in Fiscal Year 2016 resulting from water conservation. See “Financial Operations of the Water System - Water Usage” and “Risk Factors – Potential Impact of Drought and Other Risks Relating to the Water Supply” herein.
- ⁽²⁾ The effect of Sequestration on Fiscal Years 2016 through 2019 is currently unknown. The City expects to receive an estimated \$430,072 reduction in Refundable Credits in connection with the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds for the current federal fiscal year ending September 30, 2015. These amounts are not pledged to payment of principal of and interest on the Series 2015AB Senior Lien Bonds.
- ⁽³⁾ Includes revenue from the O&M portion of wastewater service contract payments, the SFC, industrial wastewater fees, interest income on all funds except Construction Funds, bonded sewer fees, and miscellaneous revenue.
- ⁽⁴⁾ See Table 21 (Projected Operation and Maintenance Expenses) herein for the components of the O&M expense. Includes the System’s projected share of the City’s projected contributions to LACERS, based on projected contributions as of June 1, 2014. See “Financial Operations of the Wastewater System – Retirement and Other Postemployment Benefits Contributions” herein.
- ⁽⁵⁾ Represents principal and interest becoming due and payable on all Senior Lien Bonds issued and Outstanding in each Fiscal Year, other than principal of and interest on the Series 2015AB Senior Lien Bonds, which is reflected elsewhere in this table, and accounting for the completion of the refundings relating thereto described under “Plan of Finance” herein.
- ⁽⁶⁾ Preliminary, subject to change. Reflects projected debt service on the Series 2015-A Senior Lien Bonds to be issued to fund capital improvements to the System and debt service on the Series 2015-C Senior Lien Bonds to be issued to refund outstanding commercial paper. Excludes projected debt service on the portion of the Series 2015-B Senior Lien Bonds and Series 2015-D Senior Lien Bonds to be issued to refund certain of the City’s Outstanding Bonds, as described under “Plan of Finance” herein.
- ⁽⁷⁾ Assumes an interest rate of 5.00 percent for additional Senior Lien Bond issuances and 30-year wrapped debt service principal amortization structures. Assumes issuances of \$174 million, \$307 million and \$257 million in Fiscal Years 2017, 2018 and 2019, respectively. Excludes debt service on refunding bonds to be issued, including the Series 2015-B Senior Lien Bonds and the Series 2015-B Senior Lien Bonds, the proceeds of which will be used to refinance certain outstanding Bonds of the System.
- ⁽⁸⁾ Preliminary, subject to change. Represents principal and interest becoming due and payable on all Subordinate Bonds issued and Outstanding in each Fiscal Year, excluding the Series 2015-A Subordinate Bonds expected to be issued after the date hereof.
- ⁽⁹⁾ Assumes an all-in interest cost of 3.79 percent for the \$151,085,000 portion of the Series 2012-D Subordinate Bonds associated with the Swap Agreements, and an all-in interest cost of 2.00 percent on the remaining \$129,775,000 portion of the Series 2012-D Subordinate Bonds.
- ⁽¹⁰⁾ Additional deposits in the Debt Service Fund; amounts are in excess of required monthly principal and interest deposits.
- ⁽¹¹⁾ Represents principal and interest becoming due and payable on all CP Notes issued and Outstanding, subsequent to the issuance of the Series 2015-A Senior Lien Bonds and the completion of the refunding relating thereto described under “Plan of Finance” herein. Interest at an assumed annual interest rate of 0.8 percent on projected CP Notes for Fiscal Year 2015 and 2.0 percent for Fiscal Years 2016 through 2019.
- ⁽¹²⁾ Reflects excess amounts available for deposit into the Operating Reserve.
- ⁽¹³⁾ Total may not equal sum of components due to individual rounding.

Outstanding Indebtedness

Senior Lien Bonds and Subordinate Bonds heretofore issued were issued pursuant to the City Charter and the Authorizations. Pursuant to the amended and restated charter approved by the voters of the City, additional revenue bonds and notes of the City in excess of the aggregate principal amount approved pursuant to the Authorizations may be issued upon adoption of a procedural ordinance and without any further authorization by the voters of the City. Beginning with the issuance of the Series 2015AB Senior Lien Bonds, Senior Lien Bonds and Subordinate Bonds issued to finance capital improvements of the System will be issued pursuant to the City Charter and the Procedural Ordinance.

The City has issued a total of \$5,117,621,473.50 principal amount of Senior Lien Bonds, of which \$1,056,750,000 is Outstanding. The City has issued a total of \$3,079,750,000 principal amount of Subordinate Bonds in the form of fixed and variable rate bonds, of which \$1,350,780,000 is Outstanding. In addition, the City has also authorized a maximum of \$400,000,000 aggregate principal amount of Subordinate Bonds in the form of CP Notes. The maximum amount of CP Notes that may be Outstanding at any particular time under the Letters of Credit for the CP Notes is \$200,000,000. CP Notes are currently Outstanding in the principal amount of \$110,000,000.

The following table sets forth the Outstanding Wastewater System Revenue Bonds and CP Notes.

TABLE 23
CITY OF LOS ANGELES OUTSTANDING WASTEWATER SYSTEM
REVENUE BONDS AND COMMERCIAL PAPER REVENUE NOTES
(in Thousands) (as of April 1, 2015)⁽¹⁾

Issue	Amount Issued	Amount Outstanding	Final Maturity
Series 2002-A (Refunding)	102,850	37,110	6/1/2022
Series 2005-A (Refunding)	300,655	52,455 ⁽¹⁾	6/1/2035
Series 2009-A (Refunding)	454,785	365,720	6/1/2039
Series 2010-A	177,420	177,420	6/1/2039
Series 2010-B	89,600	89,600	6/1/2040
Series 2010-A (Subordinate)	199,790	195,740	6/1/2032
Series 2012-A (Subordinate Refunding)	157,055	153,850	6/1/2024
Series 2012-B (Subordinate Refunding)	253,880	252,510	6/1/2032
Series 2012-A (Refunding)	49,650	49,650	6/1/2024
Series 2012-C (Subordinate Refunding)	133,715	131,100	6/1/2027
Series 2012-D (Subordinate Refunding) ⁽²⁾	280,860	280,860	6/1/2032
Series 2013-A (Subordinate Refunding)	349,505	336,720	6/1/2035
Series 2013-A	149,980	149,980	6/1/2043
Series 2013-B (Refunding)	143,880	134,815	6/1/2035
CP Notes ⁽³⁾	200,000	110,000	
Total	<u>\$3,043,625</u>	<u>\$2,517,530</u>	

⁽¹⁾ Excludes the issuance of the Series 2015AB Senior Lien Bonds and the completion of the refundings relating thereto described under "Plan of Finance" herein.

⁽²⁾ The Series 2012-D Subordinate Bonds are variable rate obligations initially bearing an adjustable interest rate based on the London Interbank Offered Rate index and determined in accordance with the paying agent agreement therefor. Payment of the principal of and interest on the Series 2012-D Subordinate Bonds is secured by and payable solely from Revenues, in accordance with the Subordinate General Resolution. The City has entered into Swap Agreements with respect to certain of the Series 2012-D Subordinate Bonds. See "– Variable Rate Bonds" and "– Swap Agreements" herein.

⁽³⁾ The City has authorized a maximum of \$400,000,000 aggregate principal amount of Subordinate Bonds in the form of CP Notes. However, the maximum amount of CP Notes that may be Outstanding at any particular time under the existing Letters of Credit for the CP Notes is \$200,000,000.

Annual Debt Service Requirements

The following table sets forth the amounts required in each Fiscal Year ending June 30 for the payment of principal and interest on all Outstanding Senior Lien Bonds and Subordinate Bonds.

TABLE 24
CITY OF LOS ANGELES
WASTEWATER SYSTEM REVENUE BONDS
DEBT SERVICE ON ALL SENIOR LIEN BONDS AND SUBORDINATE BONDS

Fiscal Year Ending June 30	Series 2015-A Bonds			Series 2015-B Bonds			Debt Service on Other Senior Lien Bonds ⁽¹⁾	Debt Service on all Senior Lien Bonds	Debt Service on Subordinate Bonds	Total Debt Service on All Bonds
	Principal	Interest	Total Principal and Interest	Principal	Interest	Total Principal and Interest				
2015	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 94,013,990	\$ --	\$ 98,950,415	\$ --
2016							79,177,290		113,179,565	
2017							79,162,490		113,473,315	
2018							57,090,928		133,433,665	
2019							68,196,065		124,961,615	
2020							82,802,803		107,189,015	
2021							101,144,628		93,475,697	
2022							52,727,128		137,605,247	
2023							101,119,053		86,995,247	
2024							48,985,128		141,295,247	
2025							48,982,965		142,876,560	
2026							48,984,465		132,119,143	
2027							48,985,115		93,437,420	
2028							60,832,265		83,404,325	
2029							60,870,521		82,699,250	
2030							60,906,796		82,021,250	
2031							60,833,671		81,276,750	
2032							60,907,596		45,662,500	
2033							60,902,234		45,660,250	
2034							60,901,959		45,664,500	
2035							93,805,146		-	
2036							92,809,529		-	
2037							91,781,799		-	
2038							90,720,400		-	
2039							96,556,071		-	
2040							44,609,250		-	
2041							44,612,500		-	
2042							44,609,250		-	
2043										
2044										
2045										
TOTAL							\$1,937,031,034		\$1,985,380,977	

⁽¹⁾ Preliminary, subject to change. Includes debt service on the Refunded Bonds.

⁽²⁾ Total may not equal sum of components due to individual rounding.

Variable Rate Bonds

The Series 2012-D Subordinate Bonds are variable rate obligations initially bearing an adjustable interest rate based on the London Interbank Offered Rate (“LIBOR”) index and determined in accordance with the paying agent agreement therefor (the “2012D Paying Agent Agreement”). The Series 2012-D Subordinate Bonds are outstanding in the aggregate principal amount of \$280,860,000. Payment of the principal of and interest on the Series 2012-D Subordinate Bonds is secured by and payable solely from Revenues, in accordance with the Subordinate General Resolution.

The owner of the Series 2012-D Subordinate Bonds has the right to tender the Series 2012-D Subordinate Bonds for purchase on certain specified dates (each a “Special Purchase Date”) and upon an event of default under the continuing covenant agreement with respect to the Series 2012-D Subordinate Bonds (the “2012-D Continuing Covenant Agreement”) at a price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the date specified for purchase. In the event such tendered Series 2012-D Subordinate Bonds cannot be remarketed, assuming no event of default under the 2012-D Continuing Covenant Agreement and assuming certain other conditions are met, the principal amount of the Series 2012-D Subordinate Bonds may be payable in installments over a period of up to three years. Under such circumstances, the Series 2012-D Subordinate Bonds would bear a variable interest rate that could be significantly higher than the variable rate that was borne by the Series 2012-D Subordinate Bonds prior to the failed mandatory tender for purchase. The accelerated amortization and increased interest rate would significantly increase the size of current debt service payments due and owing on the Series 2012-D Subordinate Bonds. See “Risk Factors – Risks Related to Variable Rate Bonds” herein.

The City has entered into Swap Agreements intended to mitigate the variable rate risk with respect to certain of the Series 2012-D Subordinate Bonds. See “– Swap Agreements” herein.

Swap Agreements

The City has entered into a Swap Agreement with The Bank of New York Mellon (the “Bank of New York Mellon”) and a Swap Agreement with Dexia Crédit Local, New York Branch (“Dexia”) (collectively, the “Swap Agreements”). Each Swap Agreement has an outstanding notional amount of \$75,542,500, for a total of \$151,085,000, and a termination date of June 1, 2028. In each swap agreement, the City pays a fixed rate of 3.34%, and the swap counterparty pays 64.1% of 1-month USD-LIBOR, adjusted weekly. As of April 1, 2015, the remaining portion of each Swap Agreement had a market value of approximately [\$(14,699,750)], for a combined total market value of [\$(29,399,500)], with negative amounts indicating a City liability in the event of a termination requiring a termination payment. The City may terminate the swap agreement with Dexia in the event that any two of Moody’s, S&P or Fitch assign ratings to Dexia’s senior, unsecured, unenhanced debt that is below Baa1, BBB+ or BBB+, respectively. Payments received by the City under the Swap Agreements constitute Revenues of the System, but are not a source of credit or security for the Series 2015 Senior Lien Bonds. See “Security and Sources of Payment for the Series 2015 Senior Lien Bonds – Swap Agreements” herein. Swap agreements entail certain risks. See “Risk Factors – Swap Agreements” herein.

In August 2014, the City Council approved a proposal to review the Swap Agreements. In March 2015, Councilmember Paul Koretz participated in a phone conversation with members of the Fix LA Coalition, the Service Employees International Union and the chief of staff of one of the commissioners of the Security and Exchange Commission (the “SEC”). During that phone call, the Fix LA Coalition asked that the SEC investigate the practice of the banks involved in the Swap Agreements to ensure that everything was done correctly. The Councilmember made only a few remarks in that he agreed with the request to have the SEC review the circumstances of the swaps as to whether the City was given a fair

assessment of the level of risks the City would be facing by entering into the swaps. No commitment was made by the SEC but rather that they would contact the Fix LA Coalition.

Anticipated Financings

In addition to the Series 2015AB Senior Lien Bonds, the City is planning to issue, subject to market conditions, approximately \$__ million of Series 2015-C Senior Lien Bonds to refund certain outstanding CP Notes, approximately \$__ million of Series 2015-D Senior Lien Bonds to refund all or a portion of certain series of Senior Lien Bonds and Subordinate Bonds and approximately \$__ million of Subordinate Bonds to refund certain Senior Lien Bonds and Subordinate Bonds on or about June 30, 2015. The City also anticipates issuing additional Senior Lien Bonds and Subordinate Bonds (including CP Notes) from time to time to finance capital improvement projects. See “Plan of Finance” and “Wastewater System Capital Improvement Program – Financing Plans for the Wastewater Capital Improvement Program” herein.

Cash Basis Debt Service Coverage

The following table sets forth the projected cash basis debt service coverage for Fiscal Years 2015 through 2019. Such debt service coverage projections are based on a number of assumptions, including that the number of customers will remain approximately the same as it is at this time. The achievement of certain results or other expectations contained in the following table involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements reflected in the following table to be materially different from any future results, performance or achievements expressed or implied by such table. Although, in the opinion of the Bureau of Sanitation, such projections are reasonable, there can be no assurance that any or all of such projections will be realized or predictive of future results.

TABLE 25
DEBT SERVICE COVERAGE PROJECTIONS
(in Thousands)

Category	Fiscal Year Ending June 30				
	2015	2016	2017	2018	2019
Net Revenues – Current Rates ⁽¹⁾	\$ 277,577	\$ 246,175	\$ 237,627	\$ 224,357	\$ 221,481
Additional Revenue from Future Rate Increases ⁽²⁾	0	28,848	62,231	97,858	135,880
Additional Interest Income ⁽³⁾	275	589	758	1,201	1,779
BABs and RZEDB Subsidies ⁽⁴⁾	5,464	5,461	5,461	5,461	5,461
Projected Net Revenue	\$ 283,316	\$ 281,073	\$ 306,077	\$ 328,877	\$ 364,601
Debt Service					
Existing Senior Lien Bonds ⁽⁵⁾	\$ 100,499	\$ 94,014	\$ 79,177	\$ 79,162	\$ 57,091
Series 2015A Senior Lien Bonds ⁽⁶⁾	0	9,396	8,924	8,924	8,924
Series 2015C Senior Lien Bonds ⁽⁶⁾	0	4,850	4,878	4,878	4,878
Additional Senior Lien Bonds ⁽⁷⁾	0	0	0	10,115	27,175
Total Senior Lien Bonds	\$ 100,499	\$ 108,260	\$ 92,979	\$ 103,079	\$ 98,068
Existing Subordinate Bonds ⁽⁸⁾⁽⁹⁾	\$ 88,876	\$ 95,058	\$ 109,287	\$ 109,580	\$ 129,541
CP Notes ⁽¹⁰⁾	733	467	3,000	4,000	4,000
Total All Bonds and CP Notes	\$ 190,108	\$ 203,785	\$ 205,266	\$ 216,659	\$ 231,609
Projected Debt Service Coverage					
Total Senior Debt	282%	260%	329%	319%	372%
Total Senior and Subordinate Debt	149%	138%	149%	152%	157%

Source: City of Los Angeles, Bureau of Sanitation.

- (1) Net Revenues, as defined by the General Resolution based on rates and charges currently in effect. The net revenues are calculated assuming that SSC shortfalls resulting from implementation of LADWP's new billing system will not be recovered in Fiscal Years 2016 through 2019.
- (2) Includes projected increases effective on each of July 1 from 2015 through 2019. There is no assurance that debt service coverage for Fiscal Years 2015 through 2019, inclusive, will be at the levels currently projected.
- (3) Includes assumed annual interest earnings of 2.7 percent on increased reserve funds resulting from proposed additional Bond sales.
- (4) Amount for Fiscal Year 2013 reflects reductions in the amount of Refundable Credits as described under "Security and Sources of Payment for the Series 2015AB Senior Lien Bonds – No Pledge of Refundable Credits" and "Risk Factors – Effect of Federal Sequestration on Refundable Credits" herein. The effect of Sequestration on Fiscal Years 2016 through 2019 is currently unknown. These amounts are not pledged to payment of principal of and interest on the Series 2015AB Senior Lien Bonds.
- (5) Reflects principal and interest becoming due and payable on all Senior Lien Bonds issued and outstanding in each Fiscal Year, prior to the issuance of the Series 2015AB Senior Lien Bonds and completion of the refundings relating thereto. See "Plan of Finance".
- (6) Preliminary, subject to change. Reflects projected debt service on the Series 2015-A Senior Lien Bonds to be issued to fund capital improvements to the System and debt service on the Series 2015-C Senior Lien Bonds to be issued to refund outstanding commercial paper. Excludes projected debt service on the portion of the Series 2015-B Senior Lien Bonds and Series 2015-D Senior Lien Bonds to be issued to refund certain of the City's Outstanding Bonds, as described under "Plan of Finance" herein.
- (7) Principal and interest becoming due and payable on projected additional revenue bonds in each Fiscal Year. Assumes interest rate of 5.00 percent for additional Senior Lien Bond issuances and 30-year wrapped debt service principal amortization structures. See Table 22 for additional information on projected debt issuance.
- (8) Represents principal and interest becoming due and payable on all Subordinate Bonds issued and Outstanding in each Fiscal Year, excluding debt service on the Series 2015-A Subordinate Bonds expected to be issued after the date hereof.
- (9) Principal and interest becoming due on existing Subordinate Bonds in each Fiscal Year. Assumes an all-in interest cost of 3.79 percent on the \$151,085,000 portion of the Series 2012-D Subordinate Bonds associated with the Swap Agreements, and an all-in interest cost of 2.00 percent on the remaining \$129,775,000 portion of the Series 2012-D Subordinate Bonds.
- (10) Interest at an assumed annual interest rate of 0.8 percent on projected CP Notes for Fiscal Year 2015 and 2.0 percent for Fiscal Years 2016 through 2019.

REGULATORY REQUIREMENTS AFFECTING OPERATION OF THE SYSTEM

General

The City's wastewater operations are subject to regulatory requirements relating to the Federal Water Pollution Control Act as amended (the "Clean Water Act"). The regulatory requirements are administered by the US EPA through the SWRCB. Regulations of these agencies deal primarily with the quality of effluent which may be discharged from the four wastewater treatment facilities, the recycling of residual solids generated by the wastewater treatment plants, the reuse of reclaimed water for irrigation and industrial uses to conserve potable water, and the nature of waste material (particularly industrial waste) discharged into the collection system. As a condition of having received federal EPA grant funds under the Clean Water Act for planning, design, and construction of various wastewater projects, the City is subject to additional requirements. Among the grant-related requirements are guidelines which must be followed concerning planning methodologies, design criteria, procurement, construction activities, and financing of facilities.

To comply with federally mandated effluent quality and disposal criteria, the City must operate its wastewater treatment facilities according to discharge limitations and reporting requirements set forth in NPDES discharge permits. All wastewater treatment plants currently comply with the requirements of their respective NPDES permits.

To comply with other federal regulations concerning the discharge of waste materials into the sewer system, the City must administer and enforce industrial pretreatment limitation standards upon users of the system. The City has had an industrial waste program in effect since the early 1940s. The City has been approved by the State and the US EPA to administer its own industrial pretreatment program.

The City's industrial waste ordinance sets forth the water quality standards that industrial users must meet and provides enforcement procedures for violators. The Industrial Waste Management Division of the Bureau of Sanitation is currently responsible for monitoring industrial sites, food service establishments, and dental offices located in the City. In addition, each Entity is required to permit and monitor all industries within its respective service area. Agencies served under the Universal Terms Contracts are now contractually required to meet the federal pretreatment requirements.

Another grant-related regulatory requirement is that the City has an approved user charge system. Such user charge regulations require the City to recover annual operation, maintenance, and replacement costs from users of the system in a proportionate manner according to the customer's level of use. Such factors as volume, flow rate, and strength of wastewater are to be considered in determining proportionate use. User fee rates are reviewed periodically and established at a level necessary to generate sufficient revenues to recover the annual operation, maintenance and replacement costs. User fee rates for all users, except Entities still served by the old SDCs and certain City operations are established to recognize the volume and strength characteristics of wastewater contributed to the system. The SWRCB approved the City's original Revenue Program on September 23, 1987. The Agencies also must file their respective revenue programs with the SWRCB in connection with the City's Revenue Program. In order to comply with SWRCB revenue program requirements for proportional cost recovery by user class, the outdated SDCs are being renegotiated to reflect both volume and wastewater strength requirements.

In addition to federal requirements, the City must comply with State requirements which are generally more stringent. The primary State law concerned with the control of water quality is the Porter-Cologne Water Quality Control Act of 1969, as amended (the "Porter-Cologne Act"). The basic tenor of that act was set by the policy that the waters of the State must be protected for use and enjoyment by the

people of the State. The Porter-Cologne Act directly addresses the issue of water reclamation and reuse. A declared policy of the law is that the people of the State have a primary interest in the development of facilities to reclaim wastewater to supplement existing surface and underground water supplies in order to meet their water requirements. The legislative intent was to undertake all possible development of water reclamation facilities to make reclaimed water available for use. The law requires the State Department of Health Services to establish statewide reclamation criteria for each type of use where such use involves public health.

Biosolids Management

The City terminated the discharge of biosolids into the ocean in November 1987 as required by the terms of the Amended Consent Decree. The City produces exceptional quality biosolids at HTP and TIWRP, which will permit the continuation of land application. The City reuses biosolids, a byproduct or residual of wastewater treatment, as a soil amendment at a City-owned farm in Kern County, pending resolution of litigation relating to biosolids land application in Kern County. A Kern County voter-approved initiative was passed in July 2006 that prohibits biosolids land application in the unincorporated areas of Kern County. The City filed legal challenges to the validity of this initiative. See “Litigation” herein. If the provisions of the initiative are upheld, the City would no longer be able to land apply biosolids at its farm in Kern County and would have to landfill it, dispose of it out of state, or consider other use options at an increased cost of approximately \$3 million per year. The financial projections set forth in this Official Statement do not include the potential costs related to alternate disposition of biosolids.

The City is investigating and evaluating new beneficial use options, including injection of biosolids deep below the geological subsurface at TIWRP pursuant to the Terminal Island Renewable Energy Project. Since July 2008, over 320 million gallons of biosolids have been injected. The City received a new permit in December 2013 to continue the project for another five years. The City also composts a portion of its biosolids at its Griffith Park compost facility. Composting is the process by which organic materials such as biosolids are decomposed into a nutrient-rich soil conditioner.

Air Quality

South Coast Air Quality Management District. The air quality issues relating to treatment plants have been the subject of increased federal, State and local regulation. The US EPA has delegated most enforcement responsibilities of the federal Clean Air Act (CAA) to the South Coast Air Quality Management District (“SCAQMD”). The Bureau of Engineering obtains SCAQMD permits to construct many System capital improvement projects. The Bureau of Sanitation tracks federal and State air quality legislation and proposed federal, State and regional regulations, prepares responses to issues that may impact System operations and future development and coordinates SCAQMD permits to construct larger System projects such as the DGUP at HTP.

Pollutant and Air Toxics Emissions. All of the City’s treatment plants monitor and report on pollutant emissions and certain air toxics pursuant to SCAQMD requirements, which are based on guidelines set forth by the California Office of Environmental Health Hazard Assessment (OEHHA). SCAQMD requires Annual Emissions Reports (“AERs”) of air contaminants. Pursuant to the Air Toxics “Hot Spots” Information and Assessment Act SCAQMD has designated HTP and TIWRP as high priority emitters and requires a health risk assessment (“HRA”) from each facility every four years, or as requested by SCAQMD. An HRA is a comprehensive analysis of the dispersion of hazardous substances into the environment, the potential for human exposure, and a quantitative assessment of both individual and population-wide health risks associated with those levels of exposure. Future HRA analyses will be based on the recently revised Exposure Assessment by OEHHA. Due to this revision, SCAQMD is

proposing to amend Rules 1401, 1401.1, 1402, and 212, and is revising its Risk Assessment Procedures. It is expected that this may result in more public notices for future construction or operations at HTP and potentially TIWRP. No issues are expected to arise from AERS, Hot Spots reports, or HRAs.

Priority Reserve Credits and Reserves. Since 2006, there have been various legal challenges to SCAQMD's Rules 1309.1 and 1315. Rule 1309.1 provides priority reserve credits to Essential Public Services (EPSs), including wastewater treatment facilities. Rule 1315 provides a US EPA approved banking or tracking system for credits so that permits can be issued. On May 24, 2012, US EPA approved the most recent version of Rule 1315. On November 15, 2012, plaintiff *Communities for a Better Environment and California Communities Against Toxics* filed suit in the US Ninth Circuit Court of Appeals ("Ninth Circuit") against the US EPA to invalidate and vacate Rule 1315. If the plaintiffs prevail, issuance of air permits by SCAMD would cease for an unknown period. During such a moratorium, Priority Reserve Credits could not be issued to EPSs and offset credits could not be issued or traded. This litigation continues. Priority Reserve Credits have already been obtained for the DGUP at HTP.

National Ambient Air Quality Standards. SCAQMD implements portions of the federal CAA, including the National Ambient Air Quality Standards, which are emission limits for criteria pollutants, including ozone. Nitrogen oxides ("NO_x") and volatile organic compounds ("VOCs") are precursors to ozone. The CAA Section 185 requires major sources of NOs and VOCs within a severe or extreme non-attainment area, like the South Coast Air Basin, to either reduce their emission by twenty percent or pay a fee. On December 5, 2008, the SCAQMD governing board adopted Rule 17 to implement Section 185. Rule 317 would have potentially resulted in a fee of approximately \$1 million per year for HTP's DGUP due to CAA Section 185.

SCAQMD amended Rule 317 to follow the US EPA's fee-equivalency approach of CAA Section 172(e), which allows expenditures by the US EPA, California Air Resources Board (CARB) and SCAQMD in surplus emission reduction programs, such as truck replacement, clean fuels and bus retrofit programs, to be used on a dollar per dollar basis to offset the Section 185 fee obligations. On March 11, 2015, the Ninth Circuit denied a petition by the Natural Resources Defense Council and the Committee for a Better Environment that would have invalidated the February 4, 2015 rule change. No appeal is expected. SCAQMD has indicated that adequate equivalency funding appears to be available through 2020, when the one-hour ozone standard is expected to be achieved, thereby avoiding any penalties under Section 185 of the federal CAA.

Prevention of Significant Deterioration. Because HTP already is regulated for Prevention of Significant Deterioration by SCAQMD, emissions of the greenhouse gas ("GHG") carbon dioxide ("CO₂") are also subject to this rule, which could affect future capital projects at HTP. At present, the effect of this inclusion is for Best Available Control Technology to be applied to DGUP to minimize CO₂. DGUP equipment has been determined to be Best Available Control Technology.

CARB. In December 2007, CARB adopted Mandatory Reporting Requirements ("MRRs") requiring reporting of GHG emissions from the largest sources, including refineries, general stationary combustion facilities, and hydrogen plants that emit at least 25,000 metric tons of CO₂ per year. On December 16, 2011, CARB reduced the reporting threshold to 10,000 metric tons CO₂ equivalent per year and removed cogeneration as a category subject to MRRs. Presently, HTP emits less than 10,000 metric tons per year. Like the US EPA, CARB is not requiring the reporting of biogenic CO₂.

US EPA. On September 22, 2009, the US EPA finalized a rule for GHG MRRs, one in a series of regulatory changes, leaving no impact on Publicly Owned Treatment Works ("POTWs"). Through this series of changes, the regulation clarified that most POTW, including HTP, are not impacted by the

federal MRR, which addresses fossil related stationary source combustion emissions about 25,000 metric tons CO₂ equivalents per year.

Southern California Alliance of Publicly Owned Treatment Works (“SCAP”) and California Association of Sanitation Agencies (“CASA”). The City is a member of SCAP, which assists POTWs in addressing US EPA, CARB, and SCAQMD regulations affecting POTWs and addresses the climate change and GHG issues of POTWs. The City is also a member of CASA, which provides advocacy for POTWs in a broad spectrum of issues, including those pertaining to air quality and climate change.

No assurance can be given that the cost of compliance with future laws, regulations and orders relating to climate change, greenhouse gases and/or renewable energy would not adversely affect the ability of the System to generate Revenues sufficient to pay debt service on the Series 2015AB Senior Lien Bonds.

Water Quality

Total Maximum Daily Loads. The Los Angeles Regional Water Quality Control Board (“LARWQCB”) is required to develop TMDLs for impaired waterbodies. Section 303(d) of the Clean Water Act requires every state to compile a list of waterbodies that are impaired with respect to water quality and then implement mitigation efforts through the TMDL process. The TMDL for nitrogen compounds and its related effects in the Los Angeles River and its tributaries was adopted by the LARWQCB in July 2003, and was adopted by SWRCB in November 2003. The TMDL became effective on March 23, 2004. Interim limits for the discharge of nitrogen compounds also became effective for DCTWRP and LAGWRP on March 23, 2004. The City is required to perform several studies relating to this TMDL. The City has constructed nitrification/denitrification facilities that achieve compliance with the TMDL.

The Los Angeles River Metals TMDL, as readopted, became effective October 29, 2008. The TMDL assigned DCTWRP and LAGWRP Waste Load Allocations that have been exceeded from time to time and provided a compliance schedule of five years from the original effective date of the TMDL. However, DCTWRP and LAGWRP are subject to more stringent final limits pursuant to their NPDES permits and the California Toxics Rule, with which the DCTWRP and LAGWRP are in compliance. Various watersheds in the Los Angeles area have water body segments that are also listed as impaired due to pollutants such as heavy metals, pesticides, ammonia, and nutrients. TMDLs are being developed by the LARWQCB for these water bodies. It is difficult to predict their full impact on the City’s four water reclamation and wastewater treatment plants. In addition, the proposed Greater Los Angeles County Municipal Separate Stormwater Sewer Systems (MS4) permit, adopted by the LARWQCB in November 2012, contains provisions that require compliance with all the adopted TMDLs. Significant capital improvements funded by the System may be required to comply with the TMDLs and their resulting impact on the City’s NPDES permits.

Nutrient Policy for Inland Surface Waters. The SWRCB has commenced development of a statewide nutrient control program for inland surface waters that is intended to protect beneficial users from the effects of nutrient pollution and eutrophication in California water bodies. SWRCB is expected to establish an approach to address nutrient pollution and eutrophication across waterbody types and develop a watershed approach that is flexible and adaptive over time. In the first phase of program development, SWBRC is prioritizing the development of a nutrient program for wadeable streams. Compliance with the resulting SWRCB program may require significant upgrades to the facilities and increased energy demand of DCTWRP and LAGWRP. The potential costs of compliance are unknown at this time.

Discharge of Treated Municipal Wastewater. On May 6, 2010, the LARWQCB adopted the TIWRP's current NPDES permit, which will expire on June 25, 2015. See “– NPDES Permits” herein. In connection with its application for renewal of the TIWRP NPDES permit, the Bureau of Sanitation has submitted a water recycling requirements permit application to the LARWQCB for expansion of the AWPf facility at TIWRP, including the future discharge of the AWPf recycled water to Machado Lake. The NPDES permit is based upon Resolution 94-009 adopted by LARWQCB in 1994 (“Resolution 94-009”) and, as required by the 1974 Bay and Estuary policy, calls for the City to eliminate TIWRP tertiary discharge (except for brine waste) to the Los Angeles Harbor by 2020. Resolution 94-009 sets the goal of eliminating the effluent discharge by 2020 through expansion of the AWPf and increasing water reuse. The Bureau of Sanitation will pay for and own the AWPf expansion and will recover the costs of the facility by selling the recycled water from the facility to DWP.

NPDES Permits

The City's four treatment plants are required to obtain five-year NPDES permits that are issued by the LARWQCB. The City is in the process of renewing the TIWRP NPDES permit. The current NPDES permit expires in April 2015 and the new NPDES permit is expected to be adopted before June 2015. HTP's NPDES permit was adopted on November 2010 and will expire on December 23, 2015. The Bureau of Sanitation will submit a renewal application before the June 2015 deadline.

The LARWQCB issued new permits for DCTWRP and LAGWRP on December 8, 2011 (collectively, the “Permits”). DCTWRP and LAGWRP currently comply with their final permit limits for copper, and neither plant is expected to experience difficulty meeting these new limits in the future. The Cities of Burbank and Los Angeles completed a Copper Site-Specific Objective Study for the Los Angeles River. The study was adopted by the LARWQCB on May 6, 2010 and approved by the SWRCB, US EPA and Office of Administrative Law. The study has been incorporated into the Los Angeles River heavy metal Total Maximum Daily Loads (“TMDLs”). Based upon the new copper effluent limit in the permits and the current level of copper removal achieved, it is anticipated that there will be no adverse financial impact to the City.

The previous DCTWRP and LAGWRP permits also required compliance with the Nitrogen TMDL and construction of Nitrification-Denitrification (“NDN”) facilities. NDN facilities have been constructed at DCTWRP and LAGWRP. DCTWRP and LAGWRP have been operating in full NDN mode since September 2007 and have met their final ammonia effluent limits. An Ammonia Site-Specific Objective (the “SSO”) Study has been approved by the LARWQCB and adopted by the SWRCB, Office of Administrative Law, and US EPA. The final adoption of the SSO study into the DCTWRP and LAGWRP NPDES permits will allow adjustment of the final ammonia limits and provide for operator flexibility in the disinfection process. The LARWQCB re-opened and revised the Waste Load Allocations for Ammonia. The inclusion of the ammonia effluent limit in the NPDES permit is expected to take place in the next permit cycle; meanwhile, the Bureau of Sanitation has received a Time Schedule Order from the LARWQCB for DCTWRP until the adoption of the new NPDES permit, when the new limits are expected to be included in the permit. Under the Time Schedule Order, the City will improve its instrumentation to more accurately measure the ammonia concentration in the plant effluent. If the results of the SSO study are not incorporated into the permits, then plant operational flexibility may be limited and additional modifications to the treatment process may be required. Potential costs for compliance are unknown at this time.

In the future, and if the plants cannot meet future permit requirements, it is possible that the City may be required to install new treatment processes at a substantial cost to the City. The City cannot currently estimate the cost of such permit requirements, and such permit requirements are not included in the current Capital Improvement Program.

Collection System Settlement Agreement

In 1998, the Santa Monica BayKeeper (“BayKeeper”) filed a federal lawsuit asking for injunctive relief and \$549 million in penalties relating to spills from the City wastewater system that occurred during the El Niño storms of 1998. In January 2001, the US EPA, the LARWQCB and certain community groups representing residents in South Los Angeles joined the BayKeeper in its lawsuit against the City. This action was settled pursuant to the CSSA signed by all parties and approved and entered by the court in October 2004. The CSSA required the construction of several projects including, but not limited to, the Figueroa Meridian York Relief Sewer project, Air Treatment Facility – East Central Interceptor Sewer Mission and Jesse project (the “ATF – ECIS Mission and Jesse project”), Central Outfall Sewer - 59th Street and Fourth Avenue project, Supplemental Environmental Projects and numerous projects in the Secondary Sewer Renewal Program. All of these projects were completed on or before the end of the term of the agreement on June 30, 2014 except for the start-up of the ATF – ECIS Mission and Jesse project, which is currently scheduled to be completed by June 2015. Pending completion of the project, the City is controlling odors using an odor scrubber. In addition, the City was required to clean a three-year rolling average of 2,800 miles of sewers, visually inspect at least 600 miles of sewers annually, and continue odor mitigation efforts. The US EPA has approved the City’s Ten-Year report and has confirmed that the City has met all of its CSSA obligations.

RISK FACTORS

The ability of the City to pay principal of and interest on the Series 2015AB Senior Lien Bonds depends primarily upon the receipt by the City of Revenues. Some of the events which could prevent the City from receiving a sufficient amount of Revenues to enable it to pay the principal of and interest on the Series 2015AB Senior Lien Bonds are summarized below. The following description of risks is not intended to be an exhaustive list of the risks associated with the purchase of the Series 2015AB Senior Lien Bonds and the order of the risks set forth below does not necessarily reflect the relative importance of the various risks.

Limited Obligations

The obligation of the City to pay debt service on the Series 2015AB Senior Lien Bonds is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Revenues. The obligation of the City to pay debt service on the Series 2015AB Senior Lien Bonds does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The City is obligated under the Resolutions to pay debt service on the Series 2015AB Senior Lien Bonds solely from Revenues.

Factors that can adversely affect the availability of Revenues include, among other matters, drought, general and local economic conditions, and changes in law and government regulations (including initiatives and moratoriums on growth). The realization of future Revenues is also subject to, among other things, the capabilities of management of the City, the ability of the City to provide wastewater service to its retail customers and the Agencies, the ability of the City to establish, maintain and collect charges for the wastewater service to its retail customers and the Agencies and the ability of the City to establish, maintain and collect rates and charges sufficient to pay debt service on the Series 2015AB Senior Lien Bonds. See “Financial Operations of the Wastewater System” herein and Appendix E attached hereto.

System Revenues and Expenditures

The operation and maintenance expenses of the System are expected to increase in the next five years. See “Financial Operations of the Wastewater System – Operation and Maintenance Expenses” herein. Actual operation and maintenance expenses may be greater or less than projected. Factors such as changes in technology, regulatory standards, increased costs of material, energy, labor and administration can substantially affect System expenses. Although the City has covenanted to prescribe, revise and collect rates and charges for in amounts sufficient to pay debt service on the Series 2015AB Senior Lien Bonds, there can be no assurance that such amounts will be collected. Increases in System rates could result in a decrease in demand for System usage.

Rate-Setting and Initiative Processes Under Proposition 218

Proposition 218 affects the City’s ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Revenues in the amounts required to pay debt service on the Series 2015AB Senior Lien Bonds. See “Financial Operations of the Wastewater System – Proposition 218” herein.

Proposition 218, as incorporated in the California Constitution under Article XIIC, also provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. See “Financial Operations of the Wastewater System – Proposition 218” herein. Notwithstanding the fact that the SSC may be subject to reduction or repeal by voter initiative undertaken pursuant to Section 3 of Article XIIC, the City has covenanted to establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System which meet the requirements of the Resolutions and in accordance with applicable law. No assurance can be given that the voters of the City will not, in the future, approve initiatives which seek to repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the City’s SSC, which are a significant source of Revenues pledged to the payment of debt service on Series 2015AB Senior Lien Bonds.

Potential Impact of Drought and Other Risks Relating to the Water Supply

The State’s and City’s continued drought conditions have prompted various actions to reduce water consumption. See “Financial Operations of the Wastewater System – Water Usage - General” herein. The City has approved rates which will increase through Fiscal Year 2021. These rates and charges were predicated on assumptions of expected volume of wastewater operation. If the water supply decreases significantly, whether by operation of mandatory supply restrictions, prohibitively high water costs or otherwise, flow within the Wastewater System will diminish and Revenues may be adversely affected. The City has reduced the funding for CIP projects in Fiscal Year 2016 in response to the expected reduction in wastewater volume and Revenues. Also, much of the conservation programs pursuant to the Governor’s order will occur in landscape water and other uses that are not tributary to the System. Therefore, the City does not expect its bond coverage to be materially affected by a reduction in volume of wastewater operations due to the Governor’s proposed program. However, no assurance may be made regarding the potential impact of the present or any future drought on the System’s financial condition. See “Financial Operations of the Wastewater System – Water Usage - General” herein.

Statutory and Regulatory Compliance

Changes in the scope and standards for public agency wastewater systems, such as the System, may lead to increasingly stringent operating requirements and the imposition of administrative orders issued by Federal or State regulators. Future compliance with such requirements and orders can impose substantial additional costs on the SCM Fund. See “Regulatory Requirements Affecting the Operation of the System” herein. In addition, claims against the System for failure to comply with applicable laws and regulations could be significant. Such claims are payable from assets of the System or from other legally available sources. No assurance can be given that the cost of compliance with such existing or future laws, regulations and orders would not adversely affect the ability of the System to generate Revenues sufficient to pay debt service on the Series 2015AB Senior Lien Bonds.

Earthquakes and Other Natural Disasters

The System is located above or near a number of geological faults capable of generating significant earthquakes. The area is characterized by a number of geotechnical conditions which represent potential safety hazards, including expansive soils and areas of potential liquefaction and landslide. In anticipation of such potential disasters, the City designs and constructs System facilities to the seismic codes in effect at the time of design of the project.

In January 1994, an earthquake of magnitude 6.8 on the Richter Scale occurred in the northwest San Fernando Valley on a previously unmapped fault. It caused widespread damage to commercial and residential structures. No significant damage occurred to the System and sewer service was not interrupted. Pipe fractures were detected using closed circuit television cameras and some portions of the pipe collapsed. The City estimates that repairs to the System in connection with this earthquake cost approximately \$213 million.

Although the City has implemented disaster preparedness plans, there can be no assurance that these or any additional measures will be adequate in the event that a natural disaster occurs, nor that costs of preparedness measures will be as currently anticipated. Further, damage to components of the System could cause a material increase in costs for repairs or a corresponding material adverse impact on Revenues. The City is not obligated under the Resolutions to maintain earthquake insurance on the System, and the City does not now and does not plan to maintain, earthquake insurance on the System.

Security of the Wastewater System

Damage to the System resulting from vandalism, sabotage, or terrorist activities may adversely impact the operations and finances of the System. There can be no assurance that the City’s security, emergency preparedness and response plans will be adequate to prevent or mitigate such damage, or that the costs of maintaining such security measures will not be greater than currently anticipated. See “The Wastewater System Service Area and Facilities – Security of the System” herein. The City has established the Emergency Fund, which may be used by the City, if other funds are not readily available and sufficient, to pay extraordinary and unexpected repair or replacement expenses of the System or liability claims related to the System. See “Security and Sources of Payment for the Series 2015AB Senior Lien Bonds – Emergency Fund” herein.

Utility Costs

No assurance can be given that any future significant reduction or loss of power would not materially adversely affect the operations of the System. The volume of wastewater conveyed and treated in the System on a daily basis requires a significant amount of electrical and thermal power. Electricity is

needed to run pumps, lights, computers, mechanical valves and other machinery. Thermal energy, usually generated by electrical power or by burning natural gas, provides heat and cooling necessary for both buildings and the wastewater treatment process. Prices for electricity or gas may increase, which could adversely affect the System's financial condition.

Impact of Economic Conditions on System Revenues

The recent recession and major economic disruptions adversely affected economic activity of the region in general, in particular resulting in decreased economic activity, increased unemployment and a reduction in residential and commercial construction. The City cannot predict the extent of the fiscal problems that will be encountered in any future economic downturn. Reduction in System users' ability to pay rates and charges, and reduction in the rate at which new customers are added to the System, can adversely impact System Revenues.

Acceleration; Limitations on Remedies

The General Resolution and the Subordinate General Resolution provide that, upon and during the continuance of an Event of Default, the principal of and interest accrued on all Senior Bonds and Subordinate Bonds, respectively, subject to certain conditions, may be declared to be due and payable immediately. The foregoing notwithstanding, the remedy of acceleration is subject to the limitations on legal remedies against public entities in the State, including a limitation on enforcement obligations against funds needed to serve the public welfare and interest. Also, any remedies available to the Owners of the Series 2015AB Senior Lien Bonds upon the occurrence of an Event of Default under the respective Resolutions are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Further, enforceability of the rights and remedies of the Owners of the Series 2015AB Senior Lien Bonds may become subject to (i) the Federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, (ii) equity principles which may limit the specific enforcement of certain remedies, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) the exercise of the state police powers. Remedies available to the Owners of the Series 2015AB Senior Lien Bonds are in many respects dependent upon judicial action which is often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Swap Agreements

The City is currently a party to two Swap Agreements related to bonds issued under the Subordinate General Resolution. Swap Agreements entail certain financial risks to the City and the City may not realize the expected financial benefits from these swap transactions. In addition, the potential future exposure to the City relating to the difference in payments between the amounts the City receives and pays in connection with a swap agreement, termination payments, or any non-scheduled payment cannot be predicted. The respective counterparties may terminate any of the Swap Agreements upon the occurrence of certain termination events or events of default, which may include failure of either the City or the counterparty to maintain credit ratings at specified levels. The City may terminate any of the Swap Agreements at any time. If either the counterparty or the City terminates any swap, the City may be required to make a termination payment to the counterparty, even if such termination is due to an event affecting the counterparty, including the counterparty's failure to maintain credit ratings at specified levels, and there is no assurance that such payment by the City would not have a material adverse effect on the Revenues. See "Financial Operations of the Wastewater System – Swap Agreements" herein for a

description of the counterparties to the City's two Swap Agreements and the respective market values thereof.

Risks Related to Variable Rate Bonds

The variable rate of interest that is borne by the Series 2012-D Subordinate Bonds while bearing interest in an index interest rate mode is dependent in part upon the ability of the City to pay the principal of and interest on the Series 2012-D Subordinate Bonds tendered for purchase on each Special Purchase Date and upon an event of default under the 2012-D Continuing Covenant Agreement. In the event the Series 2012-D Subordinate Bonds tendered for purchase cannot be remarketed, assuming no event of default under the 2012-D Continuing Covenant Agreement and assuming certain other conditions are met, the principal amount of the Series 2012-D Subordinate Bonds may be payable in installments over a period of up to three years. Under such circumstances, the Series 2012-D Subordinate Bonds would bear a variable interest rate that could be significantly higher than the variable rate that was borne by the Series 2012-D Subordinate Bonds prior to the failed mandatory tender for purchase. The accelerated amortization and increased interest rate would significantly increase the size of current debt service payments due and owing on the Series 2012-D Subordinate Bonds. In such a case, the City may seek to convert the Series 2012-D Subordinate Bonds to an adjustable rate mode (other than an index interest rate mode) and cause to be executed and delivered a credit facility which will provide for the payment of principal of and interest on the Series 2012-D Subordinate Bonds when due and the purchase of any such Series 2012-D Subordinate Bonds tendered for purchase and not remarketed. However, there can be no assurance that credit enhancement could be obtained at a reasonable cost, if at all. The City may also convert the Series 2012-D Subordinate Bonds to a fixed interest rate or other rate not requiring credit enhancement or cause the refunding of the Series 2012-D Subordinate Bonds, but there can be no assurance with respect to the timing or terms of any such conversion or refunding.

Effect of Federal Sequestration on Refundable Credits

The Refundable Credits payable by the Federal government in connection with the Series 2010-A Senior Lien Bonds and Series 2010-B Senior Lien Bonds are subject to reduction pursuant to existing federal law, which requires that the federal budget authority for all accounts in the domestic mandatory spending category, including payments to issuers of direct-pay bonds such as the City, be reduced beginning federal fiscal year 2013 (the "Sequestration"). Prior to March 1, 2013, the City received periodic payments ("Refundable Credits") from the United States Treasury equal to 35% of the interest payable on the Series 2010-A Senior Lien Bonds and periodic Refundable Credits from the United States Treasury equal to 45% of the interest payable on the Series 2010-B Senior Lien Bonds. As a result of the Sequester (herein defined) described under "Risk Factors – Effect of Federal Sequestration on Refundable Credits," the City expects to receive an estimated \$430,072 reduction in Refundable Credits in connection with the Series 2010-A Senior Lien Bonds and the Series 2010-B Senior Lien Bonds for the current federal fiscal year ending September 30, 2015. The Refundable Credits are pledged only to the payment of the Series 2010-A Senior Lien Bonds and Series 2010-B Senior Lien Bonds, and are included in the calculation of Revenues under the General Resolution. However, the City has paid and will continue to pay debt service on its Bonds without accounting for the Refundable Credits expected to be received from the Federal government. The reduction in the amount of Refundable Credits from the Federal government will reduce the amount of Revenues received by the City and, in turn, the amount of Revenues available to pay debt service on Senior Lien Bonds and Subordinate Bonds. However, such reduction is not expected to materially adversely impact the City's ability to pay debt service on the Series 2015AB Senior Lien Bonds.

TAX MATTERS

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2015AB Senior Lien Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2015AB Senior Lien Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issue of the Series 2015AB Senior Lien Bonds. The City has covenanted in the Twenty-Eighth Supplemental Resolution not to take any action or omit to take any action that, if taken or omitted, respectively, would adversely affect the exclusion of the interest on the Series 2015AB Senior Lien Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Norton Rose Fulbright US LLP, Bond Counsel, under existing law interest on the Series 2015AB Senior Lien Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the aforementioned covenants, interest on the Series 2015AB Senior Lien Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Bond Counsel is of the further opinion that under existing law the Series 2015AB Senior Lien Bonds are not "specified private activity bonds" within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Series 2015AB Senior Lien Bonds is not treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. However, receipt or accrual of interest on Series 2015AB Senior Lien Bonds owned by a corporation may affect the computation of its alternative minimum taxable income. A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code is computed.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a Tax Certificate dated the date of delivery of the Series 2015AB Senior Lien Bonds pertaining to the use, expenditure, and investment of the proceeds of the Series 2015AB Senior Lien Bonds.

Except as set forth in the second preceding paragraph, Bond Counsel will express no opinion as to any federal, state or local tax consequence of the receipt of interest on, or the ownership or disposition of, the Series 2015AB Senior Lien Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequence with respect to the Series 2015AB Senior Lien Bonds, or the interest thereon, if any action is taken with respect to the Series 2015AB Senior Lien Bonds or the proceeds thereof upon the advice or approval of other counsel.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "Service") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Series 2015AB Senior Lien Bonds is commenced, under current procedures the Service is likely to treat the City as the "taxpayer," and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Series 2015AB Senior Lien Bonds, the City may have different or conflicting interests from those of the owners of the Series 2015AB Senior Lien Bonds. Public awareness of any future audit of the Series 2015AB Senior Lien Bonds could adversely affect the value and liquidity of the Series 2015AB Senior Lien Bonds during the pendency of the audit, regardless of the ultimate outcome.

To the extent that a purchaser of a Series 2015 Senior Lien Bond acquires that Series 2015 Senior Lien Bond at a price in excess of its “stated redemption price at maturity” (within the meaning of section 1273(a)(2) of the Code), such excess will constitute “bond premium” under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner’s basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Series 2015 Senior Lien Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Series 2015 Senior Lien Bond to the owner. Purchasers of Series 2015AB Senior Lien Bonds at a price that includes bond premium should consult their own tax advisors with respect to the computation and treatment of such bond premium, including, but not limited to, the calculation of gain or loss upon the sale, redemption or other disposition of the Series 2015AB Senior Lien Bonds.

The excess, if any, of the stated redemption price at maturity of Series 2015AB Senior Lien Bonds of a series and maturity over the initial offering price to the public of the Series 2015AB Senior Lien Bonds of that series and maturity is “original issue discount.” Original issue discount accruing on a Series 2015 Senior Lien Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes, and is exempt from California personal income tax, to the same extent as would be stated interest on that Series 2015 Senior Lien Bond. Original issue discount on any Series 2015 Senior Lien Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Series 2015 Senior Lien Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such Series 2015 Senior Lien Bond accruing during each period is added to the adjusted basis of such Series 2015 Senior Lien Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Series 2015 Senior Lien Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of Series 2015AB Senior Lien Bonds who purchase such Series 2015AB Senior Lien Bonds other than at the initial offering price and pursuant to the initial offering. Purchasers of Series 2015AB Senior Lien Bonds of a maturity having original issue discount should consult their own tax advisors with respect to the tax consequences of ownership of Series 2015AB Senior Lien Bonds with original issue discount.

Although Bond Counsel is of the opinion that interest on the Series 2015AB Senior Lien Bonds is exempt from California personal income tax and is excluded from the gross income of the owners thereof for federal income tax purposes, an owner’s federal, state or local tax liability may otherwise be affected by the ownership or disposition of the Series 2015AB Senior Lien Bonds. The nature and extent of these other tax consequences will depend upon the owner’s other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Series 2015AB Senior Lien Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2015AB Senior Lien Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Series 2015AB Senior Lien Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series 2015AB Senior Lien Bonds, (iii) interest on the Series 2015AB Senior Lien Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive

investment income, including interest on the Series 2015AB Senior Lien Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Series 2015AB Senior Lien Bonds, and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Series 2015AB Senior Lien Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel has expressed no opinion regarding any such other tax consequences. Persons considering purchasing Series 2015AB Senior Lien Bonds should consult their own tax advisors with respect to such other tax consequences.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Series 2015AB Senior Lien Bonds may affect the tax status of interest on the Series 2015AB Senior Lien Bonds or the tax consequences of the ownership of the Series 2015AB Senior Lien Bonds. No assurance can be given that pending or future legislation, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Series 2015AB Senior Lien Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Series 2015AB Senior Lien Bonds from the gross income of the owners thereof for federal income tax purposes.

Existing law may change so as to reduce or eliminate the benefit to beneficial owners of the exclusion of interest on the Series 2015AB Senior Lien Bonds from gross income for federal income tax purposes. Proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Series 2015AB Senior Lien Bonds. Prospective purchasers of the Series 2015AB Senior Lien Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix F.

CONTINUING DISCLOSURE

In order to provide certain continuing disclosure with respect to the Series 2015AB Senior Lien Bonds in accordance with the Rule, the City has executed a Continuing Disclosure Certificate (“Disclosure Certificate”) for the benefit of the Owners of the Series 2015AB Senior Lien Bonds, pursuant to which Digital Assurance Certification, L.L.C. will serve as the initial dissemination agent. The form of Disclosure Certificate is attached hereto as Appendix H. Under the Disclosure Certificate, the City will covenant for the benefit of Owners and Beneficial Owners of the Series 2015AB Senior Lien Bonds to provide certain annual financial information and operating data, including its audited financial statements for the SCM Fund, relating to the System by not later than June 30 of each Fiscal Year, commencing on June 30, 2016 for the report for the 2014-15 Fiscal Year, or if the fiscal year-end changes from June 30, not later than 365 days after the end of the City’s Fiscal Year (the “Annual Reports”), and to provide notices of the occurrence of certain enumerated events (the “Listed Events”). The Annual Reports and notices of Listed Events will be filed with the Electronic Municipal Market Access (“EMMA”) database maintained by the Securities and Exchange Commission, pursuant to the Rule. These covenants will be made in order to assist the Underwriters of the Series 2015AB Senior Lien Bonds in complying with the Rule.

The City and its related entities issue a variety of bonds, notes and obligations (“Obligations”), including Obligations issued through its proprietary enterprise programs and for its housing program and other conduit borrowers, as well as Obligations secured by special taxes and special assessments. The

statements made by the City in this section regarding its previous continuing disclosure undertakings relate only to those Obligations which are managed by the City Administrative Officer and its staff, including Obligations secured by the City's general fund (including the City's Judgment Obligation Bonds and the bonds and notes issued through the Los Angeles Convention and Exhibition Center Authority and the Municipal Improvement Corporation of Los Angeles), General Obligation Bonds, Wastewater System Revenue Bonds, Tax and Revenue Anticipation Notes, Solid Waste Revenue Bonds, and Landscape and Lighting District 96-1 Bonds. The City's Department of Airports, Department of Water and Power and Harbor Department (each of which is governed by a Board of Commissioners that is separate from the City Council) enter into continuing disclosure undertakings in connection with the bonds and notes that are secured and payable from their respective enterprise revenues.

In April 2010, Moody's and Fitch downgraded their ratings on certain of the Obligations. In addition, between December 2007 and February 2010, Moody's, Fitch and S&P downgraded the ratings on several issues of certain of the Obligations based on downgrades or withdrawals of bond insurers, including AMBAC Assurance Corp., Assured Guaranty Municipal Corp., Financial Guaranty Insurance Company, MBIA Inc., and ACA Financial Guaranty Corporation. Notices of all of these rating changes were filed on the EMMA website in May 2013.

LITIGATION

There is no controversy of any nature now pending against the City or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2015AB Senior Lien Bonds or in any way contesting or affecting the validity of the Series 2015AB Senior Lien Bonds or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2015AB Senior Lien Bonds or the use of the proceeds of the Series 2015AB Senior Lien Bonds.

Certain Claims Against the SCM Fund

There are no pending lawsuits that in the opinion of the City Attorney challenge the validity of the Series 2015AB Senior Lien Bonds, the corporate existence of the City, or the title of the officers to their respective offices. In this review attention has been given to litigation pending against the City and against the City's Board of Public Works. The Office of the City Attorney has prepared the following summary, as of April 2, 2015, of certain claims and lawsuits (with any potential loss exceeding \$1,000,000) pending against the SCM Fund for construction claims and certain other alleged liabilities arising during the ordinary course of operations of the System.

- The City was notified by letter dated July 7, 2010 that the City is a potentially responsible party in an action entitled *Rev 973, LLC v. Mouren-Laurens*, Case No. 98-10690 pending in the United States District Court for the Central District of California. The action involves claims for environmental contamination on two sites located in Compton, California, and it is alleged that the City arranged for transport of hazardous materials from the Hyperion plant to one of the sites. The plaintiffs dismissed the City as a defendant without prejudice.
- *City of Los Angeles et al. v. County of Kern et al.* is an action in State court (Tulare County) stemming from a June 2006 ballot initiative (Measure E) that banned the land application of biosolids within the unincorporated portions of Kern County, including the area where the City land applies biosolids at its farm. A comparable lawsuit that the City previously filed in federal court was dismissed on procedural grounds after the City's motion for summary judgment had been granted. The City's current lawsuit challenges

Kern County's ban on the land application of biosolids. Following a hearing on June 9, 2011, the court granted the City's motion for a preliminary injunction against the Kern County's enforcement of Measure E, finding that the City was likely to succeed on the merits of the lawsuit. On February 13, 2013, the California Court of Appeal in Fresno upheld the preliminary injunction, thereby allowing biosolids land application to continue pending the outcome of the case. On April 22, 2013, Kern County filed a petition for review with the California Supreme Court. The California Supreme Court granted review on a narrow procedural ground regarding the interpretation of a federal statute governing the tolling of the statute of limitations for the state law claims originally litigated by the parties in federal court. The Court did not grant review of the preliminary injunction. The Court rule against the City and held that the time limit for the federal statute was not met and remanded the case back to the lower court. The City and Kern County each filed motions for summary judgment which the court denied. A trial setting conference is set for April 2015. If Kern County ultimately prevails, alternative methods of biosolids disposal could cost the City in excess of \$3 million per year.

- *Nivisec v City of Los Angeles* is an action brought in state court by the owner of a residence who used the first floor of the residence as an office. The plaintiff claimed that several cameras and computers were destroyed by sewer water, causing damage and loss of business income. At the trial held in August, 2012, the court ruled the City was liable under an inverse condemnation cause of action. The City paid the \$6.19 million judgment in April 2014.
- *Maxim Tselevich, et al. v. City of Los Angeles* is a lawsuit alleging that a City sewer system malfunction caused damage to plaintiff's residence and at-home business venture for manufacturing specialty furniture. The City's motion for summary judgment was partially granted and the claims by one of the plaintiffs for health related and business opportunity damages were dismissed. The only remaining claim is for inverse condemnation. The trial is scheduled for August 18, 2015. If plaintiff prevails on the remaining claim, possible City liability could be approximately \$1 million.

In the view of the City, in no event should these claims and lawsuits result in judgments or settlements which, in the aggregate, would have a material adverse effect on the SCM Fund's financial position.

Claim Filed by the City

On July 23, 2008, the City filed a complaint in the Superior Court for the County of Los Angeles, California, Case Number BC394944, which named a number of investment banking and other firms as defendants, some of which are serving as underwriters of the Series 2015AB Senior Lien Bonds and some of which have been underwriters of the City's Senior Lien Bonds and Subordinate Bonds in the past. The complaint alleges that the defendants manipulated the derivative market by various means which decreased the returns the City earned on guaranteed investment contracts and municipal derivative instruments. The City has settled with certain of the investment banking firms. The City cannot predict the outcome of the lawsuit.

Other Pending Legal Matters

Attached hereto as part of Appendix A is a list prepared by the Office of the City Attorney of pending matters or cases relating to the City. This information is presented for general information

purposes only. See Appendix A – “City of Los Angeles Information Statement – Litigation” attached hereto.

LEGAL OPINION

The validity of the Series 2015AB Senior Lien Bonds and certain other matters are subject to the approval of legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix F attached hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by Hawkins Delafield & Wood LLP, Los Angeles, California, Disclosure Counsel, and by Michael N. Feuer, City Attorney, and for the Underwriters by their counsel, Stradling Yocca Carlson & Rauth, a Professional Corporation, Sacramento, California.

RATINGS

Standard & Poor’s Ratings Services (“S&P”), Fitch Ratings (“Fitch”) and Kroll Bond Rating Agency have assigned the Series 2015AB Senior Lien Bonds their ratings of “___,” “___” and “___,” respectively. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Standard & Poor’s Ratings Services, 55 Water Street, New York, New York 10041; Fitch Ratings, One State Street Plaza, New York, New York 10004; and Kroll Bond Rating Agency, 845 Third Avenue, Fourth Floor, New York, New York 10022. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2015AB Senior Lien Bonds.

UNDERWRITING

The Series 2015AB Senior Lien Bonds are being purchased by Siebert Brandford Shank & Co., L.L.C., as representative of itself, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Backstrom McCarley Berry & Co., LLC and Morgan Stanley & Co. LLC (collectively, the “Underwriters”), at a price of \$_____ (which amount represents the principal amount of the Series 2015AB Senior Lien Bonds of \$_____, plus an original issue premium of \$_____, and less an underwriters’ discount of \$_____). The Underwriters may offer and sell the Series 2015AB Senior Lien Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

Siebert Brandford Shank & Co., L.L.C., one of the underwriters of the Series 2015AB Senior Lien Bonds, has provided the following sentences for inclusion: Siebert Brandford Shank & Co., L.L.C. (“SBS”) has entered into an agreement with Credit Suisse Securities (USA) for the retail distribution of certain securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Bonds, Credit Suisse Securities (USA) will purchase Bonds at the original issue price less the selling concession with respect to any Bonds that Credit Suisse Securities (USA) sells. SBS will share a portion of its underwriting compensation with Credit Suisse Securities (USA).

Backstrom McCarley Berry & Co., LLC, one of the underwriters of the Series 2015AB Senior Lien Bonds, has provided the following sentences for inclusion: Backstrom McCarley Berry & Co., LLC

("BMcB"), one of the Co-Managers on the Series 2015AB Senior Lien Bonds, has entered into a Broker/Dealer Agreement with D.A. Davidson & Company (formally Crowell, Weedon & Co), and a non-exclusive Distribution Agreement with Wedbush Securities, to augment our institutional and retail marketing capabilities, for the distribution of certain securities offerings, including the Series 2015AB Senior Lien Bonds at the original issue price. Pursuant to our distribution agreements D.A. Davidson & Company and Wedbush Securities, may purchase bonds from BMcB at the original issue price less a negotiated portion of the selling concession applicable to any Series 2015AB Senior Lien Bonds that such firm sells.

Morgan Stanley & Co. LLC, one of the underwriters of the Series 2015AB Senior Lien Bonds, has provided the following sentences for inclusion: Morgan Stanley, parent company of Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

The following four paragraphs have been provided by the Underwriters:

Certain of the Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

The City intends to use a portion of the proceeds from the Series 2015-B Senior Lien Bonds to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2015-B Senior Lien Bonds contemplated herein in connection with such Refunded Bonds being redeemed by the City.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

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.

FINANCIAL ADVISORS

Public Resources Advisory Group, and Montague DeRose and Associates, LLC have served as Financial Advisors to the City in connection with the issuance of the Series 2015AB Senior Lien Bonds. The Financial Advisors have assisted the City in matters relating to the planning, structuring, issuance of the Series 2015AB Senior Lien Bonds. The Financial Advisors have not audited, authenticated or otherwise independently verified the information set forth in the Official Statement, or any other related

information available to the City, with respect to accuracy and completeness of disclosure of such information. The Financial Advisors make no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Refunded Bonds, [Verification Agent], independent certified public accountants, will deliver a report stating that the firm has verified the mathematical accuracy of certain computations relating to the adequacy of the Defeasance Securities and the interest thereon to pay the principal of, premium, if any, and interest on, the Refunded Bonds on their respective payment and redemption dates.

FINANCIAL STATEMENTS AND DEBT SERVICE COMPLIANCE REPORTS

The SCM Fund Financial Statements and Required Supplementary Information for the Fiscal Years ended June 30, 2014 and 2013 (With Independent Auditor's Report Thereon) and the SCM Fund Debt Service Compliance Report for the Fiscal Year ended June 30, 2014 (With Independent Auditor's Report Thereon) are included as Appendix E. The financial statements of the SCM Fund for the Fiscal Year ended June 30, 2014 and the SCM Fund Debt Service Compliance Report for the Fiscal Year ended June 30, 2014 have been audited by Macias Gini & O'Connell LLP ("Macias"), independent certified public accountants, as stated in their report. The financial statements of the SCM Fund for the Fiscal Years ended June 30, 2013 and 2012 were audited by Simpson & Simpson, independent certified public accountants, as stated in their report. Macias has not consented to the inclusion of its reports in Appendix E and Macias has not undertaken to update its reports or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Official Statement, and no opinion is expressed by Macias with respect to any event subsequent to the date of its reports.

MISCELLANEOUS

This Official Statement has been duly approved, executed and delivered by the City.

There are appended to this Official Statement a summary of certain provisions of the Resolutions, a glossary of defined terms, a glossary of System terms, Audited Financial Statements of the SCM Fund, the proposed form of opinion of Bond Counsel, and a general description of the City and a description of the Book-Entry Only System. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2015AB Senior Lien Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. All references to the City Charter and the Resolutions are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and reference is made to such laws and such documents for a full and complete statement of such provisions.

CITY OF LOS ANGELES

By: _____
Assistant City Administrative Officer

APPENDIX A

CITY OF LOS ANGELES INFORMATION STATEMENT

The information contained in Appendix A is provided as general information regarding the City of Los Angeles. Investors are advised that no funds or other financial resources of the City discussed in Appendix A are pledged to the payment of the Series 2015AB Senior Lien Bonds. The Series 2015AB Senior Lien Bonds are limited obligations secured by and payable only from the sources of funds described in the Official Statement. See “Security and Sources of Payment for the Series 2015AB Senior Lien Bonds” in the forepart of this Official Statement.

**APPENDIX A
CITY OF LOS ANGELES
INFORMATION STATEMENT**

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HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION

The City of Los Angeles, California (the “City”) is the second most populous city in the United States with an estimated 2014 population of 3.9 million persons. Los Angeles is the principal city of a metropolitan region stretching from the City of Ventura to the north, the City of San Clemente to the south, the City of San Bernardino to the east, and the Pacific Ocean to the west.

Founded in 1781, Los Angeles was for its first century a provincial outpost under successive Spanish, Mexican and American rule. The City experienced a population boom following its linkage by rail with San Francisco in 1876. Los Angeles was selected as the Southern California rail terminus because its natural harbor seemed to offer little challenge to San Francisco, home of the railroad barons. But what the region lacked in commerce and industry, it made up in temperate climate and available real estate, and soon tens and then hundreds of thousands of people living in the Northeastern and Midwestern United States migrated to new homes in the region. Agricultural and oil production, followed by the creation of a deep water port, the opening of the Panama Canal, and the completion of the City-financed Owens Valley Aqueduct to provide additional water, all contributed to an expanding economic base. The City’s population climbed to 50,000 persons in 1890, and then swelled to 1.5 million persons by 1940. During this same period, the motor car became the principal mode of American transportation, and the City developed as the first major city of the automotive age. Following World War II, the City became the focus of a new wave of migration, with its population reaching 2.4 million persons by 1960.

The City and its surrounding metropolitan region have continued to experience growth in population and in economic diversity. The City’s 470 square miles contain 11.5% of the area and about 39% of the population of the County of Los Angeles (the “County”). Tourism and hospitality, professional and business services, direct international trade, entertainment (including motion picture and television production), and wholesale trade and logistics all contribute significantly to local employment. Emerging industries are largely technology driven, and include biomedical, digital information technology, and environmental technology. The County is a top-ranked county in manufacturing in the nation. Important components of local industry include apparel, computer and electronic components, transportation equipment, fabricated metal, and food. Fueled by trade with the Pacific Rim countries, the Ports of Los Angeles and Long Beach combined are the busiest container ports in the nation. As home to the film, television and recording industries, as well as important cultural facilities, the City serves as a principal global cultural center.

In May 2014, the City commissioned a report by Beacon Economics, an independent economic research and consulting firm, to study recent economic trends, provide a comparative analysis, and to assist in the City’s short-term revenue forecast. This report, “City of Los Angeles: A Comparative Economic Analysis and Forecast,” is not incorporated by reference, but can be found on <http://cao.lacity.org/Debt/presentations.htm>.

Although the economic and demographic information provided below has been collected from sources that the City considers to be reliable, the City has made no independent verification of the information provided by non-City sources and the City takes no responsibility for the completeness or accuracy thereof. The information and data in this Appendix A are the latest data available to the City; however, the current state of the economy of the City, State of California

and the United States may not be reflected in the data discussed below, because more up-to-date publicly available information is not available. This information is provided as general background.

Population

The table below summarizes City, County, and State of California (the “State”) population, estimated as of January 1 of each year. The population estimates for 2005 and later incorporate 2010 U.S. Census counts as the benchmark and, as a result, are noticeably lower than previously published estimates.

Table 1
CITY, COUNTY AND STATE POPULATION STATISTICS

	City of Los Angeles	Annual Growth Rate ⁽¹⁾	County of Los Angeles	Annual Growth Rate ⁽¹⁾	State of California	Annual Growth Rate ⁽¹⁾
1980	2,968,579	-	7,477,421	-	23,667,836	-
1985	3,216,900	1.62%	8,121,000	1.67%	26,113,000	1.99%
1990	3,476,000	1.56	8,832,500	1.69	29,558,000	2.51
1995	3,544,966	0.39	9,103,896	0.61	31,617,770	1.36
2000	3,679,600	0.75	9,477,651	0.81	33,721,583	1.30
2005	3,769,131	0.48	9,816,153	0.70	35,869,173	1.24
2010	3,794,586	0.13	9,818,605	0.00	37,253,956	0.76
2011	3,806,411	0.31	9,847,712	0.30	37,427,946	0.47
2012	3,827,172	0.55	9,889,520	0.42	37,668,804	0.64
2013	3,866,133	0.96	9,963,811	0.75	37,984,138	0.84
2014	3,904,657	1.06	10,041,797	0.78	38,340,074	0.94

⁽¹⁾ For five-year time series, figures represent average annual growth rate for each of the five years.

Sources: State of California, Department of Finance, Report 84 E-4 Population Estimates for California Counties and Cities, January 1, 1976 through January 1, 1980; Report 90 E-4 Population Estimates for California State and Counties January 1, 1981 to January 1, 1990; E-4 Historical Population Estimates for City, County and the State, 1991-2000, with 1990 and 2000 Census Counts. E-4 Population Estimates for Cities, Counties and the State, 2001-2010, with 2000 and 2010 Census Counts, Sacramento, California, November 2012. State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2014, with 2010 Census Benchmark. Sacramento, California, May 2014. State of California, Department of Finance, E-1 Population Estimates for Cities, Counties and the State with Annual Percent Change — January 1, 2013 and 2014. Sacramento, California, May 2014.

Industry and Employment

The following table summarizes the average number of employed and unemployed residents of the City and the County, based on the annual “benchmark,” an annual revision process in which monthly labor force and payroll employment data, which are based on estimates, are updated based on detailed tax records. The “benchmark” data is typically released in March for the prior calendar year. Historically, the City’s unemployment rate has been higher than both the County’s and the State’s rates.

The California Employment Development Department has reported preliminary unemployment figures for February 2015 of 6.7% statewide, 7.7% for Los Angeles County, and 8.1% for the City (not seasonally adjusted).

Table 2
ESTIMATED AVERAGE ANNUAL EMPLOYMENT AND
UNEMPLOYMENT OF RESIDENT LABOR FORCE ⁽¹⁾

Civilian Labor Force	2010	2011	2012	2013	2014
City of Los Angeles					
Employed	1,660,200	1,671,300	1,680,100	1,728,500	1,835,200
Unemployed	<u>267,100</u>	<u>261,200</u>	<u>230,900</u>	<u>211,700</u>	<u>175,700</u>
Total	1,927,300	1,932,600	1,911,000	1,940,200	2,010,900
County of Los Angeles					
Employed	4,302,300	4,326,100	4,378,800	4,495,700	4,610,800
Unemployed	<u>615,100</u>	<u>603,400</u>	<u>535,800</u>	<u>486,600</u>	<u>415,100</u>
Total	4,917,400	4,929,500	4,914,500	4,982,300	5,025,900
Unemployment Rates					
City	13.9%	13.5%	12.1%	10.9%	8.7%
County	12.5	12.2	10.9	9.8	8.3%
State	12.4	11.7	10.5	8.5	7.5%
United States	9.6	8.9	8.1	7.4	6.2%

⁽¹⁾ March 2014 Benchmark report as of March 23, 2015; not seasonally adjusted.

Note: Based on surveys distributed to households; not directly comparable to Industry Employment data reported in Table 3. Items may not add to totals due to rounding.

Sources: California Employment Development Department, Labor Market Information Division for the State and County; U.S. Bureau of Labor, Department of Labor Statistics for the U.S.

The table below summarizes the California Employment Development Department’s estimated average annual employment for the County, which includes full-time and part-time workers who receive wages, salaries, commissions, tips, payment in kind, or piece rates. Separate figures for the City are not maintained. Percentages indicate the percentage of the total employment for each type of employment for the given year. For purposes of comparison, the most recent employment data for the State is also summarized.

The Trade, Transportation and Utilities sector was the largest employment sector in the County in 2014, employing 18.9% of wage and salary workers. Educational and Health Services, at 17.7%, was the second highest employment sector in the County, followed by Professional and Business Services, which employed 14.4% of wage and salary workers.

Table 3
LOS ANGELES COUNTY
ESTIMATED INDUSTRY EMPLOYMENT AND LABOR FORCE⁽¹⁾

	County				State of California	
	<u>2000</u>	<u>% of Total</u>	<u>2014</u>	<u>% of Total</u>	<u>2014</u>	<u>% of Total</u>
Agricultural	7,700	0.2%	5,300	0.1%	417,200	2.6%
Natural Resources and Mining	3,400	0.1	4,700	0.1	31,300	0.2
Construction	131,800	3.2	120,200	2.8	675,400	4.2
Manufacturing	615,200	14.9	364,900	8.6	1,269,600	7.9
Trade, Transportation and Utilities	784,900	19.0	800,700	18.9	2,871,100	17.9
Information	244,300	5.9	195,900	4.6	457,900	2.9
Financial Activities	223,400	5.4	209,700	5.0	784,300	4.9
Professional and Business Services	590,700	14.3	609,400	14.4	2,433,400	15.1
Educational and Health Services	463,100	11.2	748,000	17.7	2,414,400	15.0
Leisure and Hospitality	345,000	8.4	464,600	11.0	1,757,100	10.9
Other Services	140,200	3.4	151,700	3.6	539,800	3.4
Government	<u>581,400</u>	<u>14.1</u>	<u>556,711</u>	<u>13.2</u>	<u>2,411,000</u>	<u>15.0</u>
Total ⁽²⁾	4,130,900	100.0%	4,231,700	100.0%	16,062,300	100.0%

⁽¹⁾ The California Economic Development Department has converted employer records from the Standard Industrial Classification coding system to the North American Industry Classification System.

⁽²⁾ Total may not equal sum of parts due to independent rounding.

Note: Based on surveys distributed to employers; not directly comparable to Civilian Labor Force data reported in Table 2.

Source: California Employment Development Department, Labor Market Information Division. Based on March 2014 Benchmark report released March 20, 2015.

Major Employers

The top 25 major non-governmental employers in the County are listed in the table below. The employees of these non-governmental employers represent approximately 6.4% of the labor force (based on total employment in 2014). In addition, government employment represents approximately 13.2% of the labor force (see Table 3 – Estimated Industry Employment and Labor Force).

Table 4
LOS ANGELES COUNTY
2014 MAJOR NON-GOVERNMENTAL EMPLOYERS

<u>Employer</u>	<u>Product/Service</u>	<u>Employees</u>
Kaiser Permanente	Nonprofit health care plan	35,991
Northrop Grumman Corp.	Defense contractor	17,000
Target Corp.	Retailer	15,000
Providence Health & Services Southern California	Health care	15,000
University of Southern California	Private university	14,722
Bank of America Corp	Banking and financial services	13,500 ⁽¹⁾
Ralphs/Food 4 Less (Kroger Co. Division)	Grocery retailer	13,500 ⁽¹⁾
Home Depot	Home improvement specialty retailer	10,600 ⁽¹⁾
Boeing Co.	Integrated aerospace and defense systems	10,500 ⁽¹⁾
Cedars-Sinai Medical Center	Medical center	10,243
Walt Disney Co.	Entertainment	10,200 ⁽²⁾
Wells Fargo	Diversified financial services	10,000 ⁽¹⁾
UPS	Transportation and freight	8,984
AT&T Inc.	Telecommunications	8,900
ABM Industries Inc.	Facilities services, energy solutions, commercial cleaning, maintenance and repair	8,400 ⁽¹⁾
California Institute of Technology	Private university, operator of Jet Propulsion Laboratory	8,094
Vons	Retail grocer	7,781
Edison International	Electric utility	7,700 ⁽¹⁾
FedEx Corp.	Shipping and logistics	7,600 ⁽¹⁾
Warner Bros. Entertainment Inc.	Entertainment	7,400 ⁽²⁾
Raytheon Co.	Aerospace and defense contractor	6,117 ⁽³⁾
Dignity Health	Health care	6,100
American Apparel Inc.	Apparel manufacturer and retailer	6,000
Amgen Inc.	Biotechnology	6,000
Universal Services of America	Security professionals	5,960

⁽¹⁾ Business Journal estimate.

⁽²⁾ Information provided by City of Burbank.

⁽³⁾ Information provided by City of El Segundo.

Source: Los Angeles Business Journal, Weekly Lists, originally published September 1, 2014.

Personal Income

The U.S. Census Bureau defines personal income as the income received by all persons from all sources, and is the sum of “net earnings,” rental income, dividend income, interest income, and transfer receipts. “Net earnings” is defined as wages and salaries, supplements to wages and salaries, and proprietors’ income, less contributions for government social insurance, before deduction of personal income and other taxes.

The following table summarizes the latest available estimate of personal income for the County, State and United States.

Table 5
COUNTY, STATE AND U.S.
PERSONAL INCOME

Year and Area	Personal Income (thousands of dollars)	Per Capita Personal Income ⁽¹⁾ (dollars)
2010		
County	\$ 404,473,004	\$41,163
State	1,578,553,439	42,282
United States	12,417,659,000	40,144
2011		
County	\$ 425,673,042	\$43,062
State	1,685,635,498	44,749
United States	13,189,935,000	42,332
2012		
County	\$ 455,788,782	\$45,800
State	1,805,193,769	47,505
United States	13,873,161,000	44,200
2013		
County	\$ 466,098,988	\$46,530
State	1,856,614,186	48,434
United States	14,151,427,000	44,765
2014		
County	N/A	N/A
State ⁽²⁾	\$ 1,944,369,223	\$50,109
United States ⁽²⁾	14,708,582,165	46,129

⁽¹⁾ Per capita personal income was computed using Census Bureau midyear population estimates. Per capita personal income is total personal income divided by total midyear population. Estimates for 2010-2013 reflect state population estimates released in December 2013, while 2014 estimates reflect the December 2014 release.

⁽²⁾ Last updated: March 25, 2015 – new estimates for 2014.

Source: U.S. Bureau of Economic Analysis, “Table SA1 Personal Income Summary,” (accessed March 31, 2015).

Retail Sales

As the largest city in the County, the City accounted for \$41.7 billion (or 29.8%) of the total \$140.0 billion in County taxable sales for 2013. The following table sets forth a history of taxable sales for the City for calendar years 2009 through 2013, 2013 being the last full year for which data is currently available. A five year series of this information is presented, as the State changed its reporting categories beginning with the 2009 report.

The City experienced a 5.2% increase in sales tax receipts during Fiscal Year 2013-14, estimates 4.4% growth in Fiscal Year 2014-15 and projects 4.4% growth in taxable sales for the Fiscal Year 2014-15 Proposed Budget.

Table 6
CITY OF LOS ANGELES
TAXABLE SALES
(in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Motor Vehicle and Parts Dealers	\$ 2,760,647	\$ 2,865,868	\$ 3,224,150	\$ 3,662,657	\$ 3,983,625
Home Furnishings and Appliance Stores	1,566,716	1,590,667	1,609,905	1,676,926	1,683,805
Bldg. Materials and Garden Equip. and Supplies	1,700,820	1,711,735	1,834,117	1,942,915	2,086,608
Food and Beverage Stores	2,126,677	2,123,626	2,199,481	2,322,695	2,444,701
Gasoline Stations	3,621,498	4,114,016	4,952,984	5,090,496	4,954,380
Clothing and Clothing Accessories Stores	2,404,735	2,551,905	2,715,953	2,884,984	3,032,886
General Merchandise Stores	2,448,694	2,534,482	2,660,830	2,759,578	2,873,530
Food Services and Drinking Places	5,437,781	5,637,405	6,049,187	6,564,652	6,946,625
Other Retail Group	<u>3,425,579</u>	<u>3,451,919</u>	<u>3,599,674</u>	<u>3,716,658</u>	<u>3,943,616</u>
Total Retail and Food Services	25,493,148	26,581,623	28,846,283	30,621,561	31,949,776
All Other Outlets	<u>8,098,716</u>	<u>8,233,833</u>	<u>9,011,361</u>	<u>9,502,364</u>	<u>9,806,938</u>
TOTAL ALL OUTLETS ⁽¹⁾	\$33,591,864	\$34,815,457	\$37,857,643	\$40,123,926	\$41,756,714

⁽¹⁾ Items may not add to totals due to rounding.

Source: California State Board of Equalization, Research and Statistics Division.

Land Use

The following table, derived from data maintained by the Los Angeles County Assessor, indicates various land uses within the City based on assessed valuation and the number of parcels.

Table 7
CITY OF LOS ANGELES
Assessed Valuation and Parcels by Land Use

	2014-15 Assessed Valuation ⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential				
Commercial Office	\$ 67,219,901,752	14.97%	35,619	4.59%
Vacant Commercial	1,980,607,102	0.44	1,219	0.16
Industrial	35,306,732,762	7.86	20,129	2.59
Vacant Industrial	1,693,987,578	0.38	4,015	0.52
Recreational	1,728,210,793	0.38	762	0.10
Government/Social/Institutional	3,185,291,491	0.71	3,784	0.49
Miscellaneous	<u>381,425,691</u>	<u>0.08</u>	<u>2,784</u>	<u>0.36</u>
Subtotal Non-Residential	\$111,496,157,169	24.84%	68,312	8.80%
Residential				
Single Family Residence	\$ 227,578,657,077	50.69%	488,464	62.94%
Condominium/Townhouse	31,970,422,930	7.12	85,994	11.08
Mobile Homes and Lots	105,172,091	0.02	3,319	0.43
Mobile Home Park	161,901,999	0.04	92	0.01
2-4 Residential Units	25,048,870,620	5.58	74,221	9.56
5+ Residential Units/Apartments	49,739,982,848	11.08	34,729	4.47
Vacant Residential	<u>2,826,940,897</u>	<u>0.63</u>	<u>20,994</u>	<u>2.70</u>
Subtotal Residential	\$337,431,948,462	75.16%	707,813	91.20%
Total	\$448,928,105,631	100.00%	776,125	100.00%

⁽¹⁾ Local Secured Assessed Valuation, excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Residential Value and Construction Activity

The following table indicates the array of assessed valuation for single family residential properties in the City.

Table 8
CITY OF LOS ANGELES
Per Parcel 2014-15 Assessed Valuation of Single Family Residential Properties

Single Family Residential Properties	<u>No. of Parcels</u>	<u>2014-15 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
	488,464	\$227,578,657,077	\$465,907	\$289,145

<u>2014-15 Assessed Valuation</u>	<u>No. of Residential Parcels⁽¹⁾</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$49,999	13,181	2.698%	2.698%	\$ 481,291,034	0.211%	0.211%
\$50,000 - \$99,999	42,411	8.683	11.381	3,185,150,922	1.400	1.611
\$100,000 - \$149,999	34,400	7.042	18.423	4,364,534,400	1.918	3.529
\$150,000 - \$199,999	43,567	8.919	27.343	7,669,796,082	3.370	6.899
\$200,000 - \$249,999	49,892	10.214	37.557	11,282,676,664	4.958	11.857
\$250,000 - \$299,999	46,011	9.420	46.976	12,659,742,606	5.563	17.420
\$300,000 - \$349,999	46,148	9.448	56.424	15,029,526,788	6.604	24.024
\$350,000 - \$399,999	40,582	8.308	64.732	15,182,740,750	6.671	30.695
\$400,000 - \$449,999	28,443	5.823	70.555	12,097,746,519	5.316	36.011
\$450,000 - \$499,999	21,551	4.412	74.967	10,275,538,351	4.515	40.526
\$500,000 - \$549,999	15,663	3.207	78.173	8,213,191,647	3.609	44.135
\$550,000 - \$599,999	13,310	2.725	80.898	7,685,779,640	3.377	47.512
\$600,000 - \$649,999	12,054	2.468	83.366	7,538,764,464	3.313	50.825
\$650,000 - \$699,999	10,202	2.089	85.455	6,881,504,050	3.024	53.849
\$700,000 - \$749,999	7,642	1.564	87.079	5,544,271,000	2.436	56.285
\$750,000 - \$799,999	7,476	1.531	88.550	5,807,738,076	2.552	58.837
\$800,000 - \$849,999	5,927	1.213	89.763	4,885,365,312	2.147	60.983
\$850,000 - \$899,999	5,363	1.098	90.861	4,716,871,123	2.073	63.056
\$900,000 - \$949,999	4,603	0.942	91.803	4,258,350,375	1.871	64.927
\$950,000 - \$999,999	3,792	0.776	92.580	3,701,803,488	1.627	66.554
\$1,000,000 and greater	<u>36,246</u>	<u>7.420</u>	100.000	<u>76,116,273,786</u>	<u>33.446</u>	100.000
Total	488,464	100.000%		\$227,578,657,077	100.000%	

⁽¹⁾ Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Source: California Municipal Statistics, Inc.

The table below provides a summary of building permits issued by the City by calendar year.

Table 9
CITY OF LOS ANGELES
BUILDING PERMIT VALUATIONS AND NEW DWELLING UNITS

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Total Valuation ⁽¹⁾ (\$ in millions)	\$3,328	\$3,386	\$3,671	\$4,246	\$6,416
Residential ⁽²⁾	878	1,131	1,407	1,732	2,668
Miscellaneous ⁽³⁾	15	26	17	48	18
Number of Units:					
Single family ⁽⁴⁾	772	726	1,059	1,254	1,852
Multi-family ⁽⁵⁾	<u>3,374</u>	<u>5,258</u>	<u>5,615</u>	<u>7,136</u>	<u>9,607</u>
Subtotal Residential	4,146	5,984	6,674	8,390	11,459
Miscellaneous ⁽⁶⁾	<u>370</u>	<u>390</u>	<u>477</u>	<u>536</u>	<u>274</u>
Total Units	4,516	6,374	1,771	8,926	11,733

⁽¹⁾ Represents the total valuation of all construction work for which building permits were issued.

⁽²⁾ Valuation of permits issued for Single-Family Dwellings, Duplexes, Apartment Buildings, Hotel/Motels, and Condominiums.

⁽³⁾ Valuation of permits issued for "Addition Creating New Units – Residential" and "Alterations Creating New Units – Residential."

⁽⁴⁾ Number of dwelling units permitted for Single-Family Dwellings and Duplexes.

⁽⁵⁾ Number of dwelling units permitted for new Apartment Buildings, Hotel/Motels, and Condominiums.

⁽⁶⁾ Number of dwelling units added includes "Addition Creating New Units – Residential" and "Alterations Creating New Units - Residential."

Source: City of Los Angeles, Department of Building and Safety.

Commercial Real Estate Markets in Los Angeles

The following table shows the most recent information available regarding vacancy rates for non-residential space in downtown Los Angeles and the remainder of the Los Angeles Metropolitan Area.

Table 10
LOS ANGELES METROPOLITAN AREA
NON-RESIDENTIAL VACANCY RATES

<u>Year⁽¹⁾</u>	<u>Downtown</u>	<u>Suburban</u>	<u>Metropolitan</u>	<u>Industrial Availability</u>
2009	14.9%	14.7%	14.8%	7.7%
2010	17.6	16.7	16.9	7.7
2011	18.1	17.5	17.6	7.4
2012	18.3	16.5	16.8	6.8
2013	18.9	16.1	16.5	6.7

⁽¹⁾ Second quarter of each year.

Source: California Department of Finance, California Economic Indicators.

Seismic Considerations

The City is subject to unpredictable and significant seismic activity. A number of known faults run through the City, and the City lies near the San Andreas Fault, which is the boundary between the Pacific and North American tectonic plates. The complex Los Angeles fault system interacts with the alluvial soils and other geologic conditions in the hills and basins. This interaction appears to pose a potential seismic threat for every part of the City, regardless of the underlying geologic and soils conditions. In addition, there are likely to be unmapped faults throughout the City. The most recent major earthquake, the Northridge earthquake in 1994, occurred along a previously unmapped blind thrust fault.

Education

The Los Angeles Unified School District (“LAUSD”) administers public instruction for kindergarten through 12th grade (“K-12”), adult, and occupational schools in the City and all or significant portions of a number of smaller neighboring cities and unincorporated areas. The LAUSD, which now encompasses approximately 710 square miles (making it significantly larger than the City at 470 square miles), was formed in 1854 as the Common Schools for the City of Los Angeles, and became a unified school district in 1960. The LAUSD is governed by a seven-member Board of Education, elected by district to serve alternating four-year terms.

There are many public and private colleges and universities located in the City. Major colleges and universities located within the City include the University of California at Los Angeles, the University of Southern California, California State University at Los Angeles, California State University at Northridge, Occidental College and Loyola Marymount University. There are seven community colleges located within the City.

MUNICIPAL GOVERNMENT

Under the State Constitution, charter cities are generally independent of the State Legislature in matters relating to municipal affairs. Charter cities, however, are subject to State Constitutional restrictions. The City is a charter city originally incorporated in 1850. The most recent charter was adopted in 1999, effective July 1, 2000.

The City is governed by the Mayor and the Council. The Mayor is elected at-large for a four-year term. As executive officer of the City, the Mayor has the overall responsibility for administration of the City. The Mayor recommends and submits the annual budget to the Council and passes upon subsequent appropriations and transfers, approves or vetoes ordinances, and appoints certain City officials and commissioners. He supervises the administrative process of local government and works with the Council in matters relating to legislation, budget, and finance. As prescribed by the Charter and City ordinances, the Mayor operates an executive department, of which he is the *ex-officio* head. The current Mayor, Eric Garcetti, assumed office on July 1, 2013.

The Council, the legislative body of the City, is a full time council and enacts ordinances subject to the approval of the Mayor. If the Mayor vetoes, the Council may override the veto of the Mayor by a two-thirds vote. The Council orders elections, levies taxes, authorizes public improvements, approves contracts, adopts zoning and other land use controls, and adopts traffic regulations. The Council adopts or modifies the budget proposed by the Mayor. It authorizes the number of employees in budgetary departments, creates positions and fixes salaries. The Council consists of 15 members elected by district for staggered four-year terms.

The other two elective offices of the City are the Controller and the City Attorney, both elected for four-year terms. The Controller is the chief accounting officer for the City. The current Controller, Ron Galperin, assumed office on July 1, 2013.

The City Attorney is attorney and legal advisor to the City and to all City boards, departments, officers, and entities, and prosecutes misdemeanors and violations of the Charter and City ordinances. Mike Feuer assumed the office on July 1, 2013.

The City Administrative Officer (“CAO”) is the chief fiscal advisor to the Mayor and Council and reports directly to both. Miguel A. Santana has been serving as CAO since August 2009.

The City Treasurer (the “Treasurer”) receives, invests and is the custodian of the City’s funds and those of affiliated entities. The Treasurer also serves as the City’s Investment Officer. The Treasurer is appointed by the Mayor and confirmed by the Council. On July 1, 2011, the Office of the Treasurer was consolidated into the Office of Finance. Antoinette Christovale, the Director of Finance, also serves as the City Treasurer.

The City has 36 departments and bureaus for which operating funds are annually budgeted by the Council. In addition, four departments (the Department of Water and Power (“DWP”), the Harbor Department, the Department of Airports, and the Housing Authority of the City) are under the control of boards appointed by the Mayor and confirmed by the Council. The City obtains water and electricity from DWP, the largest municipally-owned utility in the nation. Two departments, the Los Angeles City Employees’ Retirement System and the Fire and Police

Pension System, are under the control of boards whose membership is comprised of Mayoral appointees and representatives elected by system members.

Public services provided by the City include police; fire and paramedics; residential refuse collection and disposal, wastewater collection and treatment, street maintenance, traffic management, storm water pollution abatement, and other public works functions; enforcement of ordinances and statutes relating to building safety; public libraries; recreation and parks; community development; housing and aging services; and planning.

An unsuccessful candidate for Mayor in the City's 2013 primary election posted on a website that a complaint was submitted to the United States Securities and Exchange Commission (the "SEC") in October 2012, alleging that the City violated federal and state securities laws by failing to disclose certain budgetary information. The City has not received any notice or other communication from the SEC regarding this complaint.

In March 2015, Councilmember Paul Koretz participated in a phone conversation with members of the Fix LA Coalition, the Service Employees International Union and the chief of staff of one of the Securities and Exchange Commissioners. During that phone call, the Fix LA Coalition asked that the SEC investigate the practice of the banks involved in the City's Wastewater 2006 Swap transaction to ensure that everything was done correctly. The Councilmember made only a few remarks in that he agreed with the request to have the SEC review the circumstances of the swaps as to whether the City was given a fair assessment of the level of risks the City would be facing by entering into the swaps. No commitment was made by the SEC but rather that they would contact the Fix LA Coalition.

CERTAIN FINANCIAL OPERATIONS

Risk Retention Program

Because of its size and its financial capacity, the City has long followed the practice of directly assuming insurable risks without procuring commercial insurance policies. The extent and variety of City exposure is such that the cost of the premiums outweighs the benefits of such coverage. The City administers, adjusts, settles, defends and pays claims from budgeted resources. The City is self-insured for workers' compensation as permitted under State law. The City procures commercial insurance when required by bond or lease financing covenants and for other limited purposes.

The City's CAFR provides estimates of potential liabilities. As of June 30, 2014, as reported in the City's CAFR (Note 4 (O): Risk Management—Estimated Claims and Judgments Payable), the City estimated the amount of tort and non-tort liabilities to be probable of occurring as of June 30, 2014 at approximately \$956.1 million. Of this amount, approximately \$131.5 million was estimated to be payable in Fiscal Year 2014-15 out of General and special funds. The City Attorney also estimated that certain pending lawsuits and claims have a reasonable possibility of resulting in additional General Fund liability totaling \$505.8 million. See "**EMPLOYMENT LITIGATION**" herein for an update on certain litigation as of the date of the official statement.

The City generally does not maintain earthquake insurance coverage. Instead, the City relies on its general reserves as well as the expectation that funds will be available from the Federal Emergency Management Agency ("FEMA") to manage earthquake and other major

natural disaster risk. The City has received a waiver from the requirement under federal law that it acquire earthquake insurance on facilities that were the beneficiaries of prior FEMA grants. There is no guarantee that sufficient City reserves or FEMA assistance would be available in the event of a natural disaster. See **“HISTORIC, ECONOMIC AND DEMOGRAPHIC INFORMATION – Seismic Considerations,”** herein.

Funds are budgeted annually to provide for claims and other liabilities based both on the City’s historical record of payments and an evaluation of known or anticipated claims. From time to time, the City may issue judgment obligation bonds to finance larger judgments or settlements, as it did in Fiscal Year 2008-09 and Fiscal Year 2009-10. Claims and other liabilities against the Wastewater System are paid directly out of the Sewer Construction and Maintenance Fund. The Program’s recent claims payment experience is listed in the table below.

Table 11
SEWER CONSTRUCTION AND MAINTENANCE FUND
LIABILITY CLAIMS PAID ⁽¹⁾
(\$ in thousands)

<u>Fiscal Year</u>	<u>Claims Paid</u>
2011-12	252
2012-13	300
2013-14	67
2014-15 (Estimated)	300
2015-16 (Proposed)	300

Source: City of Los Angeles, Department of Public Works, Bureau of Sanitation.

Workers' Compensation, Employee Health Care and Other Human Resources Benefits

The City appropriates funds to a Human Resources Benefits Fund to account for various programs to provide benefits to its employees, in addition to retirement and other post-employment benefits as described below. The Fund is administered by the Personnel Department, and does not account for retirement or other post-employment benefits. Total benefits expenditures are shown in the following table.

Table 12
HUMAN RESOURCES BENEFITS⁽¹⁾
(\$ in thousands)

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>Estimated 2014-15</u>	<u>Proposed 2015-16</u>
Workers' Compensation/Rehabilitation	\$157,802	\$156,033	\$149,886	\$161,500	\$165,000
Contractual Services	14,242	20,690	21,730	26,480	26,480
Civilian FLEX Program ⁽²⁾	199,042	209,450	225,135	227,017	228,393
Supplemental Civilian Union Benefits	4,177	4,249	3,940	4,094	4,016
Police Health and Welfare Program	117,732	122,850	124,360	129,359	134,412
Fire Health and Welfare Program	42,977	43,900	45,180	46,437	47,548
Unemployment Insurance	6,499	4,040	4,678	5,000	5,000
Employee Assistance Program	1,089	1,386	1,193	1,250	1,361
Total	<u>\$543,560</u>	<u>\$562,598</u>	<u>\$576,102</u>	<u>\$ 601,137</u>	<u>\$6 12,209</u>

⁽¹⁾ Cash basis.

⁽²⁾ Reflects all civilian health, dental, union supplemental benefit and life insurance subsidies.

Source: City of Los Angeles, Office of the City Administrative Officer.

The Wastewater System pays its pro-rata share of these and certain other costs through a line item budgeted as "Reimbursement of General Fund Costs" in the Sewer Construction and Maintenance Fund budget.

Table 13
REIMBURSEMENT OF GENERAL FUND COST
(\$ in thousands)

<u>Fiscal Year</u>	<u>Expenditures⁽¹⁾</u>
2011-12	\$50,483
2012-13	53,773
2013-14	62,507
2014-16 (Proposed)	48,122

⁽¹⁾ Cash basis.

Source: City of Los Angeles, Office of the City Administrative Officer.

Labor Relations

In 1971, the City adopted an employee relations ordinance under the provisions of the Meyers-Miliias-Brown Act (“MMBA”). Under the MMBA, management must bargain with recognized employee organizations on terms and conditions of employment, including wages, hours, and other working conditions. The CAO is the formal management representative on employee relations matters, representing the Mayor and Council in negotiations with bargaining units. The CAO receives direction from the Executive Employee Relations Committee (“EERC”), consisting of the Mayor, the President of the Council, the President Pro-Tempore of the Council and the chairpersons of the Council’s Budget and Finance and Personnel and Animal Welfare Committees. Formal Memoranda of Understanding (“MOUs”) are executed between the City and the bargaining units incorporating the negotiated wages and working conditions.

There are 41 individual MOUs, representing about 34,700 full-time City employees (these bargaining units include employees of the Airport and Harbor departments, but exclude DWP employees). The 41 MOUs are represented by 25 labor unions/employee associations and about 800 employees are not represented. Employees that are members of the Los Angeles City Employees’ Retirement System (“LACERS”) are considered to be “civilian” employees. Employees that are members of the City of Los Angeles Fire and Police Pension Plan (“FPPP”) are considered to be “sworn” or “safety” employees.

Over the last several fiscal years, the CAO, at the direction of the EERC, has worked with labor unions to reduce the City’s labor expenses by reducing the workforce through an Early Retirement Incentive Program (“ERIP”), reducing working hours for civilians (e.g., unpaid holidays), deferring or eliminating cost-of-living adjustments, reducing or eliminating cash overtime, changing active civilian employee healthcare benefits, and reforming its pension plans, including retiree healthcare benefits. During this time, the City also eliminated funded positions, transferred hundreds of employees into vacant non-General Fund positions, implemented furloughs on City civilian workers and executed layoffs. The City’s adopted authorized staffing level for Fiscal Year 2014-15 is 31,875, well below its peak of 37,173 in Fiscal Year 2007-08.

To offset the increasing costs associated with health insurance for active employees, several bargaining units have agreed to have their members pay a portion of their monthly health care premium. Effective January 2015, a total of 12 bargaining units will be contributing 10% of the health care premium and one bargaining unit will be contributing 5%. These bargaining units represent about a quarter of the City’s workforce.

In addition, the City has implemented significant reductions to its expenditures related to sworn employees. In March 2011, voters approved a Charter amendment for a new sworn pension tier that is anticipated to provide significant savings over the next 10 years. The City estimates that by 2018-19, approximately 25 percent of sworn personnel will be enrolled in the new tier. Multi-year agreements reached with the Los Angeles Police Protective League, representing approximately 9,718 sworn employees, and with the United Firefighters of Los Angeles City, representing 3,085 sworn employees, expired in June 2014. Those agreements provided salary increases in Fiscal Years 2012-13 and 2013-14 (as shown on the table below) in addition to an agreement which gave members the option to contribute an additional 2% of salary (post-tax) toward vesting their current retiree health benefit and any future increases; approximately 71% of the eligible sworn workforce (representing 64% of the total sworn workforce) elected to make this contribution. Those that did not choose to make the additional

contribution had their subsidy level frozen at the rate in effect as of July 1, 2011. On July 28, 2014, a Superior Court judge issued an interim order in a challenge to the new retiree health benefit funding formula (*Fry, et al. v. City of Los Angeles*), ruling that the petitioners have a vested right to a “non-frozen” health subsidy in retirement. See “**EMPLOYMENT LITIGATION**,” below.

In another effort to control costs, the City Council adopted a new civilian retirement tier, which applies to all employees hired on or after July 1, 2013. The new tier was designed to reduce the City’s future pension costs by increasing the normal retirement age from 55 to 65, and making various other changes to reduce costs. The City estimates savings from the new tier of \$4 million for Fiscal Years 2013-14 and 2014-15 (inclusive of savings to the Harbor and Airports departments). The new civilian retirement tier was estimated to result in a five-year savings of \$30 million to \$70 million, a 10-year savings of \$169 million to \$309 million, and a 30-year savings of \$3.9 billion to \$4.3 billion. On July 28, 2014, the City Employee Relations Board ruled that the City’s action in creating the new civilian retirement tier was illegal because the City did not meet and confer with labor representatives on the matter. The Board ordered that the City rescind the implementation of the new retirement tier. The City is considering its options in response to the decision, including appealing the ruling in State court. At this time, the new tier still remains in effect. See “**Pension and Retirement Systems—Los Angeles City Employees’ Retirement System (“LACERS”)**,” below.

The following table summarizes the membership and status of the largest unions and employee associations. Over 85% of the City's employees' contracts expired on June 30, 2014. After an MOU expires, the terms continue to be observed during negotiations of a new contract unless a provision has a specific termination date.

Table 14
STATUS OF LABOR CONTRACTS
LARGEST EMPLOYEE ORGANIZATIONS
(As of April 1, 2015)

<u>Organization</u>	<u>Authorized Number of Full-Time Employees Represented⁽¹⁾</u>	<u>Number of Bargaining Units</u>	<u>Status of Memorandum of Understanding</u>	<u>Cost of Living Adjustment⁽²⁾</u>
Los Angeles Police Protective League	9,718	1	Contract expired 6/30/14	1% on 7/1/12 2% on 1/1/13 1% on 7/1/13 1% on 11/1/13 2% on 3/1/14
United Firefighters of Los Angeles City	3,085	1	Contract expires 6/30/16	2% on 6/28/15
Coalition of Los Angeles City Unions ⁽³⁾	13,174	16	Contracts expired 6/30/14	3% on 7/1/10 2.75% on 1/1/11 .75% on 7/1/11 32 hours time-off in lieu of compensation (12/11) 3.75% on 7/1/12 32 hours time-off in lieu of compensation (12//12) 1.75% deferral recovery on 7/1/13 5.5% on 1/1/14
Engineers and Architects Association	4,395	4	Contracts expire 7/1/16	0% for term of contract Salaries restructured
Service Employees International Union – Units 8 & 17	1,735	2	Contracts expired 6/30/14	2% on 7/3/11 3% on 6/30/13
Municipal Construction Inspectors Association (MCIA)	815	1	Contract expired 6/30/14	2% on 7/3/11 1.5% first full pay period January 2013 1.5% first full pay period January 2014

⁽¹⁾ Total authorized employees in all departments except DWP.

⁽²⁾ Adjustments for the term covered by the specific MOU

⁽³⁾ Includes Service Employees International Union, Local 721, American Federation of State, County and Municipal Employees, Laborers' International Union of North America Local 777, Los Angeles/Orange County Building & Construction Trades Council, IUOE Local 501, and the Teamsters, Local 911.

Source: City of Los Angeles, Office of the City Administrative Officer.

The table below shows total authorized City staffing for all departments except the City's three proprietary departments: Airports, Harbor, and DWP. The Police Department represents the single largest department in terms of authorized positions.

Table 15
AUTHORIZED CITY STAFFING⁽¹⁾

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>Estimated</u> <u>2014-15</u>	<u>[Proposed]</u> <u>2015-16</u>
Police & Fire	13,677	13,647	13,706	13,707	
All Others	<u>18,597</u>	<u>18,169</u>	<u>18,187</u>	<u>18,168</u>	
Total	32,274	31,816	31,893	31,875	

⁽¹⁾ Excludes the Departments of Airports, Harbor, and DWP.

Source: City of Los Angeles, Office of the City Administrative Officer.

Retirement and Pension Systems

General

The City contributes to three single-employer defined benefit pension plans created by the City Charter: the Los Angeles City Employees' Retirement System ("LACERS"), the City of Los Angeles Fire and Police Pension Plan ("FPPP"), and the Water and Power Employees' Retirement, Disability and Death Benefit Insurance Plan (the "Water and Power Plan"). No General Fund monies of the City are allocated to the Water and Power Plan. Employees of the City's Wastewater System are members of LACERS.

LACERS provides retirement, disability, death benefits, post-employment healthcare and annual cost-of-living adjustments to plan members and beneficiaries. As required by the City Charter, the actuarial valuations for LACERS are prepared on an annual basis and the system's actuary recommends contribution rates for the fiscal year beginning after the completion of that actuarial valuation. When approved by the Board of Administration of LACERS, these become the City's contribution rates for such years. The City generally makes its actuarially determined Annual Required Contribution ("ARC"), although phasing-in of assumption changes has resulted in a small net pension obligation for fiscal years ended June 30, 2004 and 2005.

LACERS' annual valuations determine the amount needed to fund the normal retirement costs accrued for current employment and to amortize any unfunded actuarial accrued liability ("UAAL"). The UAAL represents the difference between the present value of estimated future benefits accrued as of the valuation date and the actuarial value of assets currently available to pay these liabilities. The valuation for the plan is an estimate based on relevant economic and demographic assumptions, with the goal of determining the contributions necessary to sufficiently fund over time the accrued costs attributable to currently active, vested former members and retired employees and their beneficiaries. In addition, various actuarial assumptions are used in the valuation process, including the assumed rate of earnings on the assets of the plan in the future, the assumed rates of general inflation, salary inflation, inflation in health care costs, assumed rates of disability, the assumed retirement ages of active employees,

the assumed marital status at retirement, and the post-employment life expectancies of retirees and beneficiaries. As plan experience differs from adopted assumptions, the actual liabilities will be more or less than the liabilities calculated based on the assumptions. The contribution rates in the next year's valuations are adjusted to take into account actual performance in the current and prior years. In addition, the plan performs an experience study every three years and further adjusts its assumptions accordingly.

The valuations incorporate a variety of actuarial methods, some of which are designed to reduce the volatility of contributions from year to year. When measuring the value of assets for determining the UAAL, many pension plans, including LACERS, "smooth" market value gains and losses over a period of years to reduce volatility. These smoothing methodologies result in an actuarial valuation of assets that are lower or higher than the market value of assets. As discussed below, LACERS has recently amended their smoothing methodologies to address extraordinary losses or gains in the market value of assets.

LACERS has adopted asset allocation plans to guide their investments in stocks, bonds, real estate, alternatives and cash equivalents over a three- to five-year period. The asset allocations of LACERS are summarized further below. Market value investment returns for the past 10 fiscal years are shown in the table below. Any return below the actuarial assumed rate of return (currently 7.5% for LACERS) represents an actuarial investment loss, while any return above the assumed rate of return represents an actuarial investment gain.

Table 16
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
HISTORICAL MARKET VALUE INVESTMENT RETURNS

<u>Fiscal Year</u>	<u>LACERS⁽¹⁾</u>
2004-05	10.0
2005-06	12.4
2006-07	19.5
2007-08	(5.7)
2008-09	(19.5)
2009-10	12.9
2010-11	22.6
2011-12	1.1
2012-13	14.3
2013-14	18.4

⁽¹⁾ As of June 30, 2014, the 20-year annualized average rate of return for LACERS was 9.7%. The 30-year average was 10.2%.

Source: City of Los Angeles, Office of the City Administrative Officer.

The City has never issued pension obligation bonds to fund its Pension Systems.

This section, "**Retirement and Pension Systems**," and the following section, "**Other Post-Employment Benefits**," contain certain information relating to LACERS. The information contained in these sections is primarily derived from information produced by its independent accountants and its actuaries. The City has not independently verified the information provided by LACERS. The comprehensive annual financial reports, actuarial valuations for retirement and health benefits, and other information concerning LACERS are available on its websites, at

www.lacERS.org/aboutlacERS/reports/index.html. Such information is not incorporated by reference herein. For additional information regarding LACERS, see also Note 5 in the “Notes to the City’s Basic Financial Statements” in the City’s Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014.

Investors are cautioned that, in considering information on LACERS, including the amount of the UAAL for retirement and other benefits, the funded ratio, the calculations of normal cost, and the resulting amounts of required contributions by the City, this is “forward looking” information. Such “forward looking” information reflects the judgment of the boards of the respective Pension Systems and their respective actuaries as to the value of future benefits over the lives of the currently active employees, vested terminated employees, and existing retired employees and beneficiaries. These judgments are based upon a variety of assumptions, one or more of which may prove to be inaccurate and/or be changed in the future.

Los Angeles City Employees’ Retirement System (“LACERS”)

LACERS, established in 1937 under the Charter, is a contributory plan covering most City employees except uniformed fire and police personnel and employees of the Department of Water and Power. As of June 30, 2014, the date of its most recent actuarial valuation, LACERS had 24,009 active members, 17,532 retired members and beneficiaries, and 6,031 inactive members. The number of retired members was significantly increased, and the number of active members significantly decreased, as a result of the City’s Early Retirement Incentive Program in Fiscal Year 2009-10. LACERS is funded pursuant to the Entry Age Normal Cost Method, which is designed to produce stable employer contributions in amounts that increase at the same rate as the employer’s payroll (i.e., level percent of payroll).

A number of assumptions are made in calculating the actuarial valuation of retirement benefits. The following are some of the key assumptions used by LACERS’ actuary, The Segal Company, in preparing LACERS’ actuarial report as of June 30, 2014.

Table 17
LOS ANGELES CITY EMPLOYEES’ RETIREMENT SYSTEM
Actuarial Assumptions
As of June 30, 2014

Investment rate of return	7.5%
Inflation rate	3.25%
Real across-the-board salary increase	0.75%
Projected salary increases	Ranges from 4% to 10.5%, based on service
Cost of living adjustments for pensioners	3.00% for Tier 1; 2.00% for Tier 2

Source: Los Angeles City Employees’ Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2014.

Based on the results of its most recent triennial experience study dated October 8, 2014 for the three-year period from July 1, 2011 through June 30, 2014, LACERS adopted new actuarial assumptions, including a reduced assumed investment return from 7.75% to 7.50% and reduced assumed inflation from 3.50% to 3.25%.

Over the past several years, the LACERS' Board took several actions to change its asset smoothing method. LACERS, like a number of pension systems, maintains a policy that whenever market value falls outside a certain range or "corridor" relative to actuarial value, the excess portion must be recognized in that year's valuation. Previously, losses that resulted in the calculated actuarial value being greater than 120% of the market value, or gains resulting in market values being less than 80% of actuarial values, had to be recognized immediately. Because of investment losses for Fiscal Year 2008-09 of approximately 20%, LACERS' actuary estimated that the actuarial value would be greater than 120% of the market value of assets. Application of this corridor meant that losses would be recognized more quickly than would occur under normal smoothing. LACERS' Board adopted a wider corridor, effective June 30, 2009, requiring immediate recognition of the losses or gains of assets whose actuarial value was greater than 150% of the market value or less than 50% of the market value. The effect of this action was to defer the actuarial recognition of extraordinary market losses; however, the unrecognized losses will have to be paid in future years. LACERS again, as of June 30, 2010, revised its market corridor, narrowing it to 60%-140%, when the smoothing period was extended from five to seven years. Under the seven year asset smoothing, only 1/7th of annual market gains or losses are recognized in the actuarial value of assets each year. The remaining gains or losses are spread equally over the next six years.

As of June 30, 2013, there was a total unrecognized net loss of \$81.6 million, reflecting six years of fairly large annual market gains and losses from a volatile market. In order to limit future fluctuations in asset values, the LACERS Board adopted a one-time adjustment to its current asset smoothing policy by combining the unrecognized gains and losses of the prior years into one layer and spreading it evenly over six years. The following table shows the original market gains and losses, and the unrecognized gains and losses as of June 30, 2014. As of the valuation date, approximately \$1 billion of net investment gains are being deferred. These deferred gains will be reflected in future valuations and will reduce the City's contribution in the future, unless offset by other unfavorable plan experience.

Table 18
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
CALCULATION OF UNRECOGNIZED RETURN DUE TO ASSET SMOOTHING
As of June 30, 2014

<u>Year Ended June 30</u>	<u>Original Market Gain (Loss)</u>	<u>Percent Not Yet Recognized</u>	<u>Amount Not Recognized</u>
2014	\$ 1,246,285,581	85.71%	\$1,068,244,784
2013	683,838,549	83.33 ¹	(67,976,184) ¹
2012	(770,325,267)	NA	NA
2011	1,208,621,516	NA	NA
2010	392,956,483	NA	NA
2009	(2,964,832,484)	NA	NA
Total unrecognized return (loss)			\$1,000,268,600

⁽¹⁾ Valuation as of June 30, 2014 recognizes 1/6 of \$81,571,421 net total unrecognized loss as of June 30, 2013 (or \$13,595,237), with the balance to be recognized over the next five years.

Source: Los Angeles City Employees' Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2014.

LACERS amortizes components that contribute to its UAAL over various periods of time, depending on how the unfunded liability arose, layering separate, fixed amortization periods. Under current funding policy, actuarial losses and gains are amortized over fixed 15-year periods. Liabilities or surpluses due to assumption changes are funded or credited over 15 or 30 years for retiree health care benefits and retirement benefits, respectively. Liabilities caused by future early retirement incentives will be funded over five years; other benefit changes will be amortized over 15 years. Effective for the June 30, 2012 valuation, most existing liabilities on or before June 30, 2012 were combined under one layer and amortized over 30 years. The LACERS Board implemented this revised amortization policy to mitigate the impact of the change in funding policy from the Projected Unit Credit cost method to Entry Age Normal cost method.

The table below shows the actuarial value of the City's liability for retirement benefits (excluding retiree health care and other post-employment benefits), the actuarial value of assets available for retirement benefits, and two indicators of funding progress for LACERS, the funded ratio and the ratio of UAAL to annual payroll.

Table 19
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
ACTUARIAL VALUE BASIS
(\$ in thousands)⁽¹⁾

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded AAL ⁽²⁾	Funded Ratio ⁽³⁾	Covered Payroll ⁽⁴⁾	Underfunded AAL as a Percentage Of Covered Payroll ⁽⁵⁾
2005	\$ 7,193,142	\$ 9,321,525	\$ 2,128,383	77.2%	\$ 1,589,306	133.9%
2006	7,674,999	9,870,662	2,195,663	77.8	1,733,340	126.7
2007	8,599,700	10,526,874	1,927,174	81.7	1,896,609	101.6
2008	9,438,318	11,186,404	1,748,085	84.4	1,977,645	88.4
2009	9,577,747	12,041,984	2,464,237	79.5	1,816,171	135.7
2010	9,554,027	12,595,025	3,040,998	75.9	1,817,662	167.3
2011	9,691,011	13,391,704	3,700,693	72.4	1,833,392	201.9
2012	9,934,959	14,393,959	4,458,999	69.0	1,819,270	245.1
2013	10,223,961	14,881,663	4,657,702	68.7	1,846,970	252.2
2014	10,944,750	16,248,853	5,304,103	67.4	1,898,064	279.5

⁽¹⁾ Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.

⁽²⁾ Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent a funded ratio less than 100%.

⁽³⁾ Actuarial value of assets divided by actuarial accrued liability.

⁽⁴⁾ Annual payroll for members of LACERS.

⁽⁵⁾ UAAL divided by covered payroll.

Source: Los Angeles City Employees' Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2014.

The actuarial value of assets is different from the market value of assets as gains and losses are smoothed over a number of years. The following table shows the funding progress of LACERS based on the market value of the portion of system assets allocated to retirement benefits.

Table 20
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS FOR RETIREMENT BENEFITS
MARKET VALUE BASIS
(\$ in thousands)⁽¹⁾

Actuarial Valuation As of June 30	Market Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded Liability ⁽²⁾	Funded Ratio (Market Value) ⁽³⁾	Covered Payroll ⁽⁴⁾	Unfunded Liability as a Percentage Of Covered Payroll (Market Value) ⁽⁵⁾
2005	\$ 7,393,707	\$ 9,321,525	\$ 1,927,818	79.3%	\$ 1,589,306	121.3%
2006	8,204,603	9,870,662	1,666,059	83.1	1,733,340	96.1
2007	9,708,718	10,526,874	818,156	92.2	1,896,609	43.1
2008	9,059,551	11,186,404	2,126,853	81.0	1,977,645	107.5
2009	7,122,911	12,041,984	4,919,073	59.2	1,816,171	270.9
2010	7,804,223	12,595,025	4,790,802	62.0	1,817,662	263.6
2011	9,186,697	13,391,704	4,205,007	68.6	1,833,392	229.4
2012	9,058,839	14,393,959	5,335,120	62.9	1,819,270	293.2
2013	10,154,486	14,881,663	4,727,177	68.2	1,846,970	255.9
2014	11,791,079	16,248,853	4,457,774	72.6	1,898,064	234.9

- ⁽¹⁾ Table includes funding for retirement benefits only. Other Post-Employment Benefits (OPEB) are not included.
⁽²⁾ Actuarial Accrued Liability minus Market Value of Assets. Positive numbers represent a funded ratio less than 100%.
⁽³⁾ Market value of assets divided by actuarial accrued liability.
⁽⁴⁾ Annual payroll for members of LACERS.
⁽⁵⁾ Unfunded liability divided by covered payroll.

Source: Los Angeles City Employees' Retirement System Actuarial Valuation and Review of Retirement and Health Benefits as of June 30, 2014.

The table below summarizes the City's payments to LACERS over the past five years. This table includes costs for retirement, as well as for retiree health care (see "**FINANCIAL OPERATIONS —Other Post-Employment Benefits**"), and other miscellaneous benefits.

Table 21
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
SOURCES AND USES OF CONTRIBUTIONS
(\$ in thousands)⁽¹⁾

	<u>2011-12</u>	<u>2012-13</u> ⁽³⁾	<u>2013-14</u>	<u>Adopted</u> <u>2014-15</u> ⁽⁴⁾	<u>[Proposed]</u> <u>2015-16</u>
Sources of Contributions					
Contributions for Council-controlled Departments	\$351,734	\$342,188	\$367,772	\$411,509	
Airport, Harbor Departments, LACERS, LAFFP	<u>72,781</u>	<u>77,917</u>	<u>83,759</u>	<u>93,718</u>	
Total	\$424,515	\$420,105	\$451,531	\$505,227	
Percent of payroll – Tier 1	24.71%	24.14%	25.33%	26.56%	
Percent of payroll – Tier 2			18.32%	19.63%	
Uses of Contributions					
Current Service Liability (Normal cost)	\$186,487	\$184,202	\$185,217	\$193,578	
UAAL	237,262	234,896	265,081	305,591	
Adjustments ⁽²⁾	<u>766</u>	<u>1,007</u>	<u>1,233</u>	<u>6,058</u>	
Total	\$424,515	\$420,105	\$451,531	\$505,227	

⁽¹⁾ Includes funding for OPEB.

⁽²⁾ Includes the excess benefit plan, the family death benefit plan, and the limited term plan fund. Beginning with the 2014-15 payment, the true-up obligation for the prior year is also reflected in this line item.

⁽³⁾ A \$3.7 million credit from 2011-12 was applied to 2012-13. The actual amount paid for Council-controlled departments, Airports, and Harbor to LACERS subsequent to this credit was \$416.4 million.

⁽⁴⁾ Payment for the 2013-14 true-up in the amount of \$5,191,511 (all agencies) will be made in 2014-15.

Source: City of Los Angeles, Office of the City Administrative Officer.

In late 2012, the City Council adopted a new civilian retirement tier, which applies to all employees hired on or after July 1, 2013. Prior to the adoption of the new tier, the City successfully negotiated and/or implemented various savings measures, including increasing active member pension contributions from 7% to 11% to help defray the costs of retiree healthcare, freezing retiree health care subsidies for noncontributing employees, deferring cost-of-living adjustments, reducing the size of the civilian workforce by 5,300 positions, implementing a new pension tier for sworn personnel, and lowering the new hire salary for police officers by 20%. Although such measures were significant in helping to ameliorate the City's fiscal difficulties, implementation of a new civilian retirement tier was necessary to further bridge the gap. The new tier was designed to reduce the City's future pension costs by increasing the normal retirement age from 60 to 65, decreasing the maximum retirement factor from 2.16% to 2.00% per year of service, capping the maximum retirement allowance at 75% of an employees' final compensation (compared to the current 100%), setting an employees' pension on a 3-year salary average (as opposed to one year), modifying disability retirement benefits to avoid spikes in the number of disability retirements, eliminating the current 50% survivor continuance benefit, capping future retiree annual cost-of-living adjustments to 2% with the option for the employee to purchase up to 3%, requiring that employees pay the actuarial cost of purchasing service credit and limiting the number of years purchasable to four years

maximum, and controlling retiree healthcare costs by limiting the benefit to retirees only. The most significant cost offset for the City would be achieved through the new tier's cost sharing element, which requires employees to contribute a portion of their salary at 75% of the normal cost of the pension benefits plus 50% of any amortized unfunded liabilities. This cost sharing would relieve the City from carrying 100% of future pension cost increases.

In total, the new civilian retirement tier was estimated to result in a five-year savings of \$30 million to \$70 million, a 10-year savings of \$169 million to \$309 million, and a 30-year savings of \$3.9 billion to \$4.3 billion, as calculated by an independent enrolled actuary as required under the City Charter (Section 1168). The City estimates that the new tier will generate \$4 million in savings in retirement contributions for both Fiscal Years 2013-14 and 2014-15 (inclusive of savings for the Harbor and Airports departments).

In the development and implementation of the new civilian tier, the City reached out to labor unions that represent all civilian employees through a two-year meet and consult process. Various unions contended that the development and implementation of the new tier was subject to the meet and confer process; in response, the unions took administrative actions against the City.

On July 28, 2014, the City Employee Relations Board ruled that the City's action in creating the new civilian retirement tier was illegal because the City did not meet and confer with labor representatives on the matter. The Board ordered that the City rescind the implementation of the new retirement tier. The City is considering its options in response to the decision, including appealing the ruling in State court.

The City contribution is determined annually based on the estimated payroll for the coming fiscal year for LACERS-covered employees (as adopted through the City budget process), multiplied by an actuarially determined contribution percentage needed to fund the retirement and retiree healthcare benefits (as adopted by the LACERS Board). If the estimated covered payroll is less than the actual payroll amount, an actuarial loss will occur as the actual contribution is less than what is expected. Conversely an actuarial gain will occur if the estimated covered payroll is higher than the actual payroll amount. These annual experience gains/losses are added to the Unfunded Actuarial Accrued Liability ("UAAL") and amortized over 15 years. The City's future contributions will increase or decrease in the next 15 years to compensate for the contribution shortfall or surplus of a given year. Therefore, from the plan funding perspective, the inexactness in estimated covered payroll does not affect a pension plan's long-term funding goal.

However, beginning July 1, 2013, the inexactness between the City's estimated and actual covered payroll will have an impact on the contribution rate for members under the new tier of LACERS benefits (Tier 2), assuming the new tier is sustained. Under Tier 2, the employee contribution is 10% of pensionable salary for the first four years; thereafter, Tier 2 member contributions are based on an actuarially determined rate, adopted by the Board, sufficient to fund 75% of Normal Cost and 50% of UAAL. The UAAL will increase when the estimated covered payroll is less than the actual covered payroll. Tier 2 members could potentially challenge their contribution to the UAAL claiming undue actuarial losses on the grounds that the City understated covered payrolls. Therefore, the LACERS Board adopted a contribution true-up mechanism to prevent such disputes on Tier 2 member contributions. The true-up amount determined by this mechanism, being either an underpayment or overpayment by

the City, will result in an adjustment to the annual required City contribution for the following fiscal year beginning from fiscal year 2013-2014, rather than incorporated into the UAAL to be amortized over 15 years.

The following table sets forth LACERS' investments and asset allocation targets.

Table 22
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
ASSET CLASS MARKET VALUE AND ALLOCATION
(\$ in millions)
As of December 31, 2014

<u>Asset Class</u>	<u>Market Value</u>	<u>Market Value to Total Fund (%)</u>	<u>Target to Total Fund (%)</u>
U.S. Equity	\$4,410	31.3%	24.0%
Non-U.S. Equity	3,954	28.1	29.0
Core Fixed Income Securities	2,802	19.9	19.0
Credit Opportunities	496	3.5	5.0
Real Assets	851	6.1	10.0
Private Equity	1,312	9.3	12.0
Cash	<u>248</u>	<u>1.8</u>	<u>1.0</u>
Total Portfolio	\$14,073	100.0%	100.0%

Source: LACERS Portfolio Performance Review for the Quarter Ending December 31, 2014.

Accounting and Financial Reporting Standards

In 2012, the Governmental Accounting Standards Board ("GASB") issued Statement No. 68, Accounting and Financial Reporting for Pensions ("GASB 68"), which applies to governmental entities such as the City, and Statement No. 67, Financial Reporting for Pension Plans ("GASB 67"), which applies to the financial reports of most pension plans such as LACERS and FPPP. GASB 67 and GASB 68 address the disclosure of pension liability only; they do not impose any additional funding requirements.

GASB 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits, including the City. GASB 68, among other things, requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability and provides greater guidance on measuring the annual costs of pension benefits, including specific guidelines on projecting benefit payments, use of discount rates and use of the "entry age" actuarial cost method. GASB 68 also addresses accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014. The City anticipates complying with the provisions of GASB 68 by its effective date (i.e., its financial statements for Fiscal Year 2014-15).

GASB 67 revises existing guidance for the financial reports of most pension plans, including LACERS. GASB 67 generally expands the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position, and requires additional note disclosures and required supplementary information. The provisions in GASB 67 are effective for financial statements for fiscal years beginning after

June 5, 2013. LACERS complied with the provisions of GASB 67 by its effective date (i.e., financial statements for Fiscal Year 2013-14).

Other Post-Employment Benefits

Retired members and surviving spouses and domestic partners of LACERS members are eligible for certain subsidies toward their costs of medical insurance and other benefits. These benefits are paid by the respective retirement system. These retiree health benefits are accounted for as “Other Post-Employment Benefits” (“OPEB”).

The City began making payments to LACERS to pre-fund its OPEB obligations in Fiscal Year 1989-90, in an amount then determined by LACERS and its actuaries. The calculations of OPEB funding requirements are made by the same actuaries that perform the analysis of LACERS’ retirement benefits, and generally rely on the same actuarial assumptions, other than those assumptions such as medical inflation specific to OPEB.

As of June 30, 2014, the unfunded healthcare benefits liabilities of LACERS are as follows:

Table 23
OTHER POST-EMPLOYMENT BENEFITS
LOS ANGELES CITY EMPLOYEES’ RETIREMENT SYSTEM
(\$ in thousands)

Actuarial Valuation As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded AAL ⁽¹⁾	Funded Ratio ⁽²⁾	Covered Payroll ⁽³⁾	Underfunded AAL as a Percentage of Covered Payroll ⁽⁴⁾
2006	\$ 990,270	\$1,730,799	\$740,529	57.2%	\$1,733,340	42.7%
2007	1,185,544	1,730,400	544,856	68.5	1,896,609	28.7
2008	1,342,920	1,928,043	585,123	69.7	1,977,645	29.6
2009	1,342,497	2,058,177	715,680	65.2	1,816,171	39.4
2010	1,425,726	2,233,874	808,148	63.8	1,817,662	44.5
2011	1,546,884	1,968,708	421,824	78.6	1,833,392	23.0
2012	1,642,374	2,292,400	650,027	71.6	1,819,270	35.7
2013	1,734,733	2,412,484	677,751	71.9	1,846,970	36.7
2014	1,941,225	2,662,853	721,628	72.9	1,898,064	38.0

⁽¹⁾ Actuarial Accrued Liability minus Actuarial Value of Assets, commonly referred to as UAAL. Positive numbers represent an actuarial deficit.

⁽²⁾ Actuarial value of assets divided by actuarial accrued liability.

⁽³⁾ Annual payroll against which UAAL amortized.

⁽⁴⁾ UAAL divided by covered payroll.

Source: The City of Los Angeles City Employees’ Retirement System Actuarial Valuations.

Historically, plan members did not contribute towards healthcare subsidy benefits; all such costs were funded from the employer’s contribution and investment returns thereon. The City negotiated bargaining agreements that will reduce the City’s contributions for OPEB benefits, which include a 4% active employee contribution toward retiree healthcare for 99% of its civilian workforce and a 2% active employee contribution toward retiree healthcare for 71% of its eligible sworn workforce (representing 64% of the sworn workforce). Employees who elected to contribute will have their current retiree health benefits and any future subsidy increases vested. For those civilian bargaining units and sworn employees that opted not to make

an additional contribution toward retiree healthcare, their retiree health subsidy has been frozen and cannot surpass the maximum subsidy level in effect as of July 1, 2011. It is estimated that the City OPEB contribution to both systems will be offset by approximately \$80 million in Fiscal Year 2013-14 as the result of members making the additional contribution toward retiree pension costs.

Two lawsuits are pending challenging the City's actions relative to freezing OPEB benefits: *Jack Fry, Gary Cline, Sandra Carlsen, Yvette Moreno, and Los Angeles Retired Fire & Police Association, Inc. v. City of Los Angeles*; and *Los Angeles Police Protective League v. Board of Fire and Police Pension Commissioners v. City of Los Angeles*. See "EMPLOYMENT LITIGATION," herein.

Projected Retirement and Other Post-Employment Benefit Expenditures

The table below illustrates the City's projected contributions to LACERS for the next four fiscal years, under the same actuarial assumptions used by LACERS' actuary for the LACERS valuation as of the valuation as of June 30, 2013. These contributions illustrate the projected cost of both pension and other post-employment benefits under these assumptions. These projections reflect deferred investment losses from the previous years and the actuarial assumptions described above. The projection below does not reflect recent changes in assumptions adopted by the LACERS Board in consideration of its actuary's most recent Actuarial Experience Study for the Period July 1, 2010 through June 30, 2013, dated as of July 3, 2014.

Table 24
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
PROJECTED CONTRIBUTIONS
(\$ in thousands)

	[Proposed] 2014-15	2015-16	2016-17	2017-18	2018-19
LACERS					
Contributions for Council-controlled Departments ⁽¹⁾⁽²⁾		<u>\$447,471</u>	<u>\$470,844</u>	<u>\$462,389</u>	<u>\$457,371</u>
Percentage of payroll ⁽³⁾		28.36%	29.37%	28.39%	27.53%
Incremental Change		\$ 35,962	\$ 23,373	\$ (8,455)	\$ (5,018)
% Change		9%	5%	(2)%	(1)%
⁽¹⁾ Includes the General Fund and various special funds.					
⁽²⁾ Assumes 7.75% return on market value of assets for 2013-14 and 7.75% per year thereafter.					
⁽³⁾ Reflects combined rates for Tiers 1 and 2.					

Source: City of Los Angeles, Office of the City Administrative Officer. Based on information from the LACERS actuary commissioned by the City Administrative Officer.

City Treasury Investment Practices and Policies

The Treasurer invests available cash for the City, including that of the proprietary departments, as part of a pooled investment program that combines general receipts with special funds for investment purposes and allocates interest earnings on a pro-rata basis when the

interest is earned and distributes interest receipts based on the previously established allocations. The Treasurer also maintains a limited number of special pools established for specific purposes.

The City's General Pool is further divided into a core pool and a reserve pool. The core or liquidity portion is targeted at the City's net liquidity requirements for six months. All investments in the core section of the portfolio have maturities of one year or less. The balance of the General Pool not required for the City's six-month liquidity requirement is invested in the reserve portfolio. The reserve portfolio holds investments ranging from one to five years.

Table 25
POOLED INVESTMENT FUND
GENERAL POOL
Investments as of February 28, 2015

Description	Par Value	Market Value	Percent of Total Funds (Market Value)	Average Days
Bank Deposits ⁽¹⁾	\$ 151,260,614	\$ 151,260,614	1.74%	1
BNYM Sweep Accounts	-	-	-	-
LAIF (State of California)	-	-	-	-
Subtotal Cash and Overnight Investments	\$ 151,260,614	\$ 151,260,614	1.74%	1
CDARS ⁽²⁾	\$ 7,000,000	\$ 7,000,000	0.08%	255
Commercial Paper	1,334,452,000	1,334,158,504	15.31	45
Negotiable Certificates of Deposit	-	-	-	-
Corporate Notes	190,000,000	191,271,800	2.19	194
U.S. Federal Agencies	536,018,000	536,997,145	6.16	80
U.S. Treasuries	-	-	-	-
Subtotal: Pooled Investments	\$2,067,470,000	\$2,069,427,449	23.74%	69
Total Short Term Core Portfolio	\$2,218,730,614	\$2,220,688,063	25.48%	64
Money Market Funds	\$ -	\$ -	-	-
Commercial Paper	-	-	-	-
Negotiable Certificates of Deposit	-	-	-	-
Corporate Notes	1,269,804,000	1,281,866,403	14.71%	1,081
U.S. Federal Agencies	697,000,000	704,899,177	8.09	919
U.S. Treasuries	4,447,000,000	4,508,764,050	51.73	995
Total Long-Term Reserve Portfolio	\$6,413,804,000	\$6,495,529,630	74.52%	1,004
Total Cash and Pooled Investments	\$8,632,534,614	\$8,716,217,693	100.00%	764
	Short-Term Core Portfolio	Long-Term Reserve Portfolio	Consolidated	
Average Weighted Maturity	64 Days	2.7 Years	2.1 Years	
Effective Yield	0.36%	1.22%	1.00%	

⁽¹⁾ Collected balance for Wells Fargo Active Accounts.

⁽²⁾ Certificate of Deposit Account Registry Service, which provides capital to community banks that lend and provide services in economically distressed areas. Deposits are insured through FDIC.

Source: City of Los Angeles, City Treasurer.

The City's treasury operations are managed in compliance with the California Government Code and according to the City's Statement of Investment Policy (the "Investment Policy"), which sets forth permitted investment vehicles, liquidity parameters and maximum maturity of investments. The Investment Policy is reviewed and approved by the Council on an annual basis.

The Treasurer does not invest in structured and range notes, securities that could result in zero interest accrual if held to maturity, variable rate, floating rate or inverse floating rate investments and mortgage-derived interest or principal-only strips.

The Investment Policy permits the Treasurer to engage custodial banks to enter into short-term arrangements to loan securities to various brokers. Cash and/or securities (United States Treasuries and Federal Agencies only) collateralize these lending arrangements, the total value of which is at least 102% of the market value of securities loaned out. The securities lending program is limited to a maximum of 20% of the market value of the Treasurer's pool by the City's Investment Policy and the California Government Code.

EMPLOYMENT LITIGATION

Two lawsuits have been filed challenging the City's actions relative freezing OPEB Benefits. (See "**FINANCIAL OPERATIONS—Other Post-Employment Benefits**," above).

1. *Jack Fry, Gary Cline, Sandra Carlsen, Yvette Moreno, and Los Angeles Retired Fire & Police Association, Inc. v. City of Los Angeles*. This suit was filed by individual sworn employees regarding the City's action to freeze retiree health benefits for sworn employees who elect not to contribute to these benefits. On July 28, 2014, a Superior Court issued an interim order ruling that the petitioners have a vested right to a "non-frozen" health subsidy in retirement. The court did not rule that petitioners are entitled to any particular health subsidy amount. The City appealed the Superior Court's Decision. On November 12, 2014, the Court of Appeal granted the City's application for a Writ of Supersedeas which stays the Superior Court's order pending the City's appeals and requires the LAFPP Board to continue applying the retiree health care freeze ordinance. There is no firm estimate of the long term cost to the City if the plaintiffs ultimately prevail in this case.
2. *Los Angeles Police Protective League and United Firefighters of Los Angeles City v. Board of Fire and Police Pension Commissioners v. City of Los Angeles*. In this case, plaintiffs seek a judgment declaring that their letter of agreement with the City requires the Retirement Board to increase the retirees' medical subsidy by a specific amount. The City prevailed on a demurrer, but the Court of Appeal reversed and issued a remitter, sending the case back to the trial court, which will require resolution of disputed factual issues. The City cannot assess the value of this case at this time.

APPENDIX B
GLOSSARY OF DEFINED TERMS

APPENDIX C
SUMMARY OF CERTAIN
PROVISIONS OF THE RESOLUTIONS

APPENDIX D GLOSSARY OF SYSTEM TERMS

The following are definitions of certain terms used in the Official Statement with respect to the Wastewater System.

“Agencies” means the agencies, including the Cities of Beverly Hills, Burbank, Culver City, El Segundo, Glendale, La Cañada Flintridge, Long Beach, San Fernando and Santa Monica, the Crescenta Valley Water District, the Las Virgenes Municipal Water District, several Los Angeles County Sanitation Districts, the community of Marina Del Rey and Universal City, to which the City currently provides wastewater conveyance, treatment and disposal services on a wholesale basis pursuant to Universal Terms Contracts.

“Authorizations” means, collectively, the City Charter of the City of Los Angeles, and the authority of elections held in the City in 1987, 1988 and 1992, under which the voters of the City authorized the issuance of wastewater system revenue bonds and notes in an aggregate principal amount of \$3,500,000,000.

“AVORS” means Additional Valley Outfall Relief Sewer.

“BMPs” means best management practices.

“BOD” means biochemical oxygen demand whose strengths are measured as part of the QSF.

“CARB” means the California Air Resources Board.

“CEQA” means California Environmental Quality Act.

“CIP” means the Wastewater System Capital Improvement Program.

“CIS” means the Coastal Interceptor Sewer.

“Clean Water Act” means the Federal Water Pollution Control Act as amended.

“COS” means the Central Outfall Sewer.

“CSSA” means Collection System Settlement Agreement.

“DCTWRP” means the Donald C. Tillman Water Reclamation Plant.

“Entities” means, collectively, the 29 sanitation districts, cities, governmental entities and private businesses adjoining the City, which are provided wastewater conveyance, treatment and disposal services by the System.

“EPA” means the United States Environmental Protection Agency.

“EVIS” means the East Valley Interceptor Sewer.

“FEMA” means the Federal Emergency Management Agency.

“FOG Control Program” means the Fats, Oils and Grease Control Program, a commercial and industrial grease control ordinance implemented by the City.

“FSEs” means food service establishments.

“HTP” means the Hyperion Treatment Plant.

“IRP” means the City’s Integrated Resources Plan for the System.

“IU” means Industrial User.

“LAGWRP” means the Los Angeles – Glendale Water Reclamation Plant.

“LARWQCB” means the Los Angeles Regional Water Quality Control Board.

“mgd” means million gallons per day.

“NCOS” means the North Central Outfall Sewer.

“NDN” means Nitrification-Denitrification.

“NORS” means the North Outfall Replacement Sewer.

“NOS” means the North Outfall Sewer.

“NPDES” means the National Pollutant Discharge Elimination System.

“OM&R” means the operation and maintenance costs, including renewal and replacement, of the System.

“POTWs” means publicly owned treatment works.

“PRC” means Program Review Committee consisting of the Director, Assistant Directors, and Financial Manager of the Bureau of Sanitation, which annually evaluates the CIP and meets monthly to consider any changes affecting the scope, cost, schedule, and overall implementation of the program.

“QSF” means the Quality Surcharge Fee assessed on users of the wastewater system whose wastewater discharge strength, as measured by SS and BOD, is higher than 265 milligrams per liter of BOD and/or 275 milligrams per liter of SS (domestic strength).

“SCAP” means the Southern California Alliance of Publicly Owned Treatment Works, which consists of the Los Angeles and Orange County Sanitation Districts, the City, and many smaller cities and other jurisdictions, which meet periodically to coordinate efforts to develop a unified strategy and to address air quality issues related to POTWs.

“SCAQMD” means the South Coast Air Management District.

“SCM Fund” means the City’s Sewer Construction and Maintenance Fund.

“SDC” means Sewage Disposal Contracts.

“SFC” means the Sewerage Facilities Charge, which is designed to recover the cost of the System capacity required by new sewer connections and increases in capacity required by current System users.

“SIU” means Significant Industrial User.

“SRF” means the Clean Water State Revolving Fund.

“SS” means suspended solids whose strengths are measured as part of the QSF.

“SSC” means the Sewer Service Charge imposed by the City in connection with wastewater discharged into the System.

“SSRP” means the City’s Secondary Sewer Renewal Program.

“SWRCB” means the California State Water Resources Control Board.

“TIWRP” means the Terminal Island Treatment Plant.

“TMDLs” means total maximum daily loads, whose processes are developed by the LARWQCB and regulated by the Clean Water Act.

“WSC” means Wastewater Service Contracts.

APPENDIX E

**CITY OF LOS ANGELES SEWER CONSTRUCTION AND MAINTENANCE FUND
FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013 (WITH INDEPENDENT AUDITOR'S
REPORT THEREON) AND DEBT SERVICE COMPLIANCE REPORT FOR THE FISCAL YEAR ENDED
JUNE 30, 2014 (WITH INDEPENDENT AUDITOR'S REPORT THEREON)**

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

[To come.]

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix G concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s Book-Entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does 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 2015AB Senior Lien Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2015AB Senior Lien Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2015AB Senior Lien 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 Official Statement. The City, the Paying Agent and the Underwriters are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Series 2015AB Senior Lien Bonds or an error or delay relating thereto. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company, New York, NY, will act as securities depository for the Series 2015AB Senior Lien Bonds. The Series 2015AB Senior Lien 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 certificate will be issued for each maturity of the Series 2015AB Senior Lien Bonds, each in the aggregate principal amount of such maturity of such issue, and will be deposited with DTC.

2. DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. Information on the website is not incorporated herein.

3. Purchases of Series 2015AB Senior Lien Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015AB Senior Lien Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is

in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015AB Senior Lien 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 Series 2015AB Senior Lien Bonds, except in the event that use of the book-entry system for the Series 2015AB Senior Lien Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2015AB Senior Lien 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 Series 2015AB Senior Lien 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 2015AB Senior Lien Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015AB Senior Lien 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.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2015AB Senior Lien Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015AB Senior Lien Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Series 2015AB Senior Lien Bonds may wish to ascertain that the nominee holding the Series 2015AB Senior Lien 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.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2015AB Senior Lien 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.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2015AB Senior Lien Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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 Series 2015AB Senior Lien Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and other payments on the Series 2015AB Senior Lien 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 City, 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 City or its agent, subject to any statutory or regulatory requirements as

may be in effect from time to time. Payment of redemption proceeds, distributions, and other payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. If applicable, a Beneficial Owner shall give notice to elect to have its Series 2015AB Senior Lien Bonds purchased or tendered, through its Participant, to the City's designated agent, and shall effect delivery of such Series 2015AB Senior Lien Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2015AB Senior Lien Bonds, on DTC's records, to the City's designated agent. The requirement for physical delivery of Series 2015AB Senior Lien Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2015AB Senior Lien Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2015AB Senior Lien Bonds to the DTC account of the City's designated agent.

10. DTC may discontinue providing its services as depository with respect to the Series 2015AB Senior Lien Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Trust Agreement with respect to certificated Series 2015AB Senior Lien Bonds will apply.

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

NEITHER THE CITY NOR THE PAYING AGENT 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 2015AB SENIOR LIEN BONDS FOR REDEMPTION.

APPENDIX H

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Los Angeles (the “City”) in connection with the issuance by the City of its \$_____ City of Los Angeles Wastewater System Revenue Bonds, Series 2015-A (Green Bonds) (the “Series 2015-A Senior Lien Bonds”) and its \$_____ City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2015-B (the “Series 2015-B Senior Lien Bonds” and, together with the Series 2015-A Senior Lien Bonds, the “Series 2015AB Senior Lien Bonds”), pursuant to a General Resolution adopted by the Council of the City (the “City Council”) on November 10, 1987, as amended and supplemented, including as amended and supplemented by the Twenty-Eighth Supplemental Resolution, adopted by the City Council on May __, 2015 (collectively, the “General Resolution”).

The City covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City pursuant to Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission, for the benefit of the Bondowners and Beneficial Owners in order to assist the Participating Underwriters in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth in the General Resolution, which shall 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 City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015AB Senior Lien Bonds (including persons holding Series 2015AB Senior Lien Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2015AB Senior Lien Bonds for federal income tax purposes.

“DAC” shall mean Digital Assurance Certification L.L.C.

“Dissemination Agent” shall mean each of the City Administrative Officer of the City or any other person authorized to act on his behalf, acting in the capacity of Dissemination Agent, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation. The initial Dissemination Agent hereunder shall be DAC.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended, 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>.

“Official Statement” shall mean the Official Statement dated May __, 2015, issued by the City in connection with the sale of the Series 2015AB Senior Lien Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2015AB Senior Lien Bonds required to comply with the Rule in connection with offering of the Series 2015AB Senior Lien 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 City shall cause the Dissemination Agent to provide not later than June 30 of each fiscal year, commencing on June 30, 2016 for the report for the 2014-15 fiscal year, or if the fiscal year-end changes from June 30, not later than 365 days after the end of the City’s fiscal year, to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is other than the City or the City Administrative Officer, not later than fifteen (15) days prior to said date, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Fund (defined below) may be submitted separately from the balance of the Annual Report and not later than the date required above for the filing of the Annual Report if they are not available by that date. If the City’s fiscal year changes (the “new fiscal year”), the City shall give notice of such change in the same manner as for a Listed Event under Section 5(d), and the annual date by which the City must provide its annual report shall change to the last day of the fiscal year immediately following the new fiscal year for which such Annual Report is given.

(b) If the City is unable to provide to the Dissemination Agent an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form prescribed thereby.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the City, file a report with the City certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Certificate, and stating the date it was provided.

4. Content of Annual Reports. The City’s Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City of Los Angeles Sewer Construction and Maintenance Fund (the “Fund”) for the prior fiscal year prepared in accordance with significant accounting policies of the City with respect to the Fund as is set forth in Note 1 to said audited financial statements for the Fund for the Fiscal years Ended June 30, 2014 and 2013, included as Appendix E to the Official Statement. If such audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update to the following tables and other information set forth in the Official Statement:

“EXISTING WASTEWATER TREATMENT FACILITIES” table.

“WASTEWATER CAPITAL IMPROVEMENT PROGRAM EXPENDITURES” table.

“SEWER SERVICE CHARGE BILLED TO TEN LARGEST CUSTOMERS” table.

“SEWER CONSTRUCTION AND MAINTENANCE FUND RATES AND CHARGES” table.

“WASTEWATER SYSTEM CUSTOMERS AND BILLABLE WASTEWATER VOLUME” table.

“BUREAU OF SANITATION AUTHORIZED POSITIONS” table.

“SEWER CONSTRUCTION AND MAINTENANCE FUND RETIREMENT AND OPEB CONTRIBUTIONS” table.

“SEWER CONSTRUCTION AND MAINTENANCE FUND SUMMARY OF OPERATIONS AND DEBT SERVICE COVERAGE CASH BASIS (UNAUDITED)” table.

“SEWER CONSTRUCTION AND MAINTENANCE FUND CASH BALANCES IN ALL FUNDS (UNAUDITED)” table.

“CITY OF LOS ANGELES WASTEWATER SYSTEM REVENUE BONDS AND COMMERCIAL PAPER NOTES AMOUNTS ISSUED AND OUTSTANDING” table.

(c) An update to the following Sections in Appendix A to the Official Statement: “FINANCIAL OPERATIONS,” “BONDED AND OTHER INDEBTEDNESS” and “LITIGATION.”

The City need not update any particular table or chart so long as (i) the City provides updated information generally of the type previously included in such table or chart, or (ii) such table or chart constitutes information not deemed to be operating data under the Rule.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the City or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2015AB Senior Lien Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;

- (iii) unscheduled draws on debt service reserves reflecting financial difficulties of the City;
- (iv) unscheduled draws on any credit enhancements reflecting financial difficulties of the City;
- (v) substitution of any credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Series 2015AB Senior Lien Bonds, or other material events affecting the tax status of the Series 2015AB Senior Lien Bonds;
- (vii) modifications to the rights of Owners of the Series 2015AB Senior Lien Bonds, if material;
- (viii) bond calls other than scheduled sinking fund redemptions, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property, if any, securing repayment of the Series 2015AB Senior Lien Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the City; provided that for the purposes of the event identified in this clause (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City 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 City, 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 City;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) If the Dissemination Agent is other than the City, the Dissemination Agent shall, as soon as reasonably practicable after obtaining actual knowledge of the occurrence of any of the Listed Events contact the City and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to Subsections (a) and promptly direct the Dissemination Agent whether or not to report such event to the owners of the Bonds. In the absence of such direction, the Dissemination Agent shall not report such event unless required to be reported by the Dissemination

Agent to the owners of the Bonds under the Indenture. The Dissemination Agent may conclusively rely upon such direction or lack thereof. For purposes of this Disclosure Certificate, actual knowledge of the occurrence of such Listed Events shall mean actual knowledge by the Dissemination Agent. The Dissemination Agent shall have no responsibility to determine the materiality of any of the Listed Events. Notwithstanding the foregoing, notice of any Listed Event shall be filed with the Repository through its EMMA system, in an electronic format as prescribed by the Repository, in a timely manner but not in excess of 10 business days after the occurrence of such Listed Event.

(c) Whenever the City obtains knowledge of the occurrence of a Listed Event, but, in the case of a Listed Event described in Subsection (ii), (vii), (viii) (but only with respect to bond calls), (x), (xiii) and (xiv) of Section 5(a), only in the event the City determines that knowledge of occurrence of a Listed Event would be material under applicable federal securities laws, the City shall file or cause to be filed a notice of such occurrence with the Repository through its EMMA system, in an electronic format as prescribed by the Repository, in a timely manner but not in excess of 10 business days after the occurrence of such Listed Event.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2015AB Senior Lien Bonds. If such termination occurs prior to the final maturity of the Series 2015AB Senior Lien Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(d) hereof.

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent other than the original 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 City pursuant to this Disclosure Agreement.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arise from a change in legal requirements, change in law, or change in identity, nature or status of an obligated person with respect to the Series 2015AB Senior Lien 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 bond, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2015AB Senior Lien Bonds in the same manner as provided in the General Resolution for amendments to the General Resolution with the consent of Bondowners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondowners or Beneficial Owners of the Series 2015AB Senior Lien Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City 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 principles or the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to a change in the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(d), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City 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 of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure by the City to comply with any provision of this Disclosure Certificate any Bondowners or Beneficial Owners of Series 2015AB Senior Lien Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the General Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2015AB Senior Lien Bonds.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, Bondowners and Beneficial Owners from time of the Series 2015AB Senior Lien Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Law. The laws of the State of California shall govern this Disclosure Certificate, the interpretation hereof and any right or liability arising hereunder, without regard to principles of conflict of law.

Date: June __, 2015

CITY OF LOS ANGELES

By: _____
Assistant City Administrative Officer