Los Angeles Unified School District
Debt Report
Fiscal Year 2013-14

Megan K. Reilly
Chief Financial Officer

April 14, 2015

LOS ANGELES UNIFIED SCHOOL DISTRICT

Office of the Chief Financial Officer

RAMON CORTINES
Superintendent of Schools

MEGAN K. REILLY
Chief Financial Officer

A Message to the Board of Education of the Los Angeles Unified School District and the District's Taxpayers

I present to you the report of the Los Angeles Unified School District's long-term debt (the "Debt Report"). Sometimes referred to as "bonded indebtedness", long-term debt is typically used to finance capital projects with a long useful life. Issuing debt to pay for long-term assets is based upon the principle of matching the cost of acquiring the asset to the time period that taxpayers and the general community utilize those assets. The District strives to achieve an equitable balance between the debt burden to the community and the time frame over which the assets are to be used.

The vast majority of the District's capital projects fall within the new construction, modernization, technology and safety programs being financed with $20.605 billion of voter-approved General Obligation (GO) Bonds. The District also receives some State matching funds and other revenue sources to finance part of the GO bond program's projects. A relatively small number of projects are being financed with Certificates of Participation (COPs) that are repaid from the General Fund, developer fees or cafeteria fund sources.

This report frequently uses the words "bonds" and "debt" interchangeably, even when the underlying obligation does not technically constitute "debt" under California's Constitution.[1] This conforms with market convention for the general use of the term "debt" and "debt service" as applied to a broad variety of instruments in the municipal market, regardless of their precise legal status. The rating agencies and the investor community evaluate the District's debt position based on all of its outstanding obligations whether or not such obligations are "debt" as defined within the California Constitution context.

The District has a comprehensive Debt Management Policy designed to assure the District follows best practices when debt is issued. A copy of the Debt Management Policy appears as Appendix 5 to this Debt Report.

This Debt Report presents a complete picture of the District's indebtedness in the categories of General Obligation Bonds and Certificates of Participation.

General Obligation Bonds represent debt that is paid from voter approved *ad valorem* property taxes that are levied and collected by the County of Los Angeles. The proceeds of such *ad valorem* property tax levies are neither received by nor under the control of the District. The District's taxpayers have shown strong commitment to the District's capital program by approving five General

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[1] "Debt" under the California Constitution excludes short-term obligations such as tax and revenue anticipation notes and lease transactions such as COPs.

Obligation Bond authorizations since 1997, with each successive authorization being the largest school district measure of its kind at the time. A top priority of the District is to manage the issuance of these bonds in a manner that minimizes the tax rates paid by our taxpayers, which the District believes it has accomplished, as more fully detailed in this Debt Report.

COPs represent debt that is paid from revenues under the District's control, such as General Fund revenues, developer fees and cafeteria fund sources. To assure that issuance of such debt is undertaken in a prudent manner that protects the District's instructional programs and operations, the Board of Education has adopted a Debt Management Policy that prescribes limits to the amount and type of COPs indebtedness that may be undertaken. This Debt Report provides a discussion of the District's COPs debt performance, which is in compliance with policy limitations.

Both General Obligation Bonds and COPs are considered to be "direct debt" of the District and are also included in the measurement of the "overall direct debt" issued by all local public agencies within the District's boundaries. It is important to monitor the levels and growth of direct debt and overall direct debt as they reflect the debt burden borne by our taxpayers and provide perspective on taxpayers' capacity for future additional debt. The Debt Management Policy sets forth various municipal market debt ratios and benchmarks against which the District measures and compares its own direct and overall direct debt burden. This Debt Report provides a summary of the District's direct debt performance in this regard.

When debt is issued, independent credit rating agencies assign a rating to the issue. The District's credit ratings are directly related to the financial condition and fiscal management of the District. The District's current General Obligation Bond ratings are Aa2 by Moody's Investors Service and AA- by Standard & Poor's and reflect high quality investment grade status. The ratings assigned to its General Obligation Bonds and COPs affect the District's interest payments and the cost to District's general obligation taxpayers, the General Fund, the Capital Facilities Fund (i.e. developer fees) and the Cafeteria Fund, as applicable. In addition, the fiscal health of the State can also affect the District's interest costs. When the State's credit quality declined and its interest rates rose relative to market indices during the financial crisis and recession, while not as dramatic, the interest costs of other issuers viewed as "agencies" of the State, including the District were also negatively impacted. Alternatively, as the State's credit improves, as it has been over the last few years, the interest costs of "agencies" of the State have been positively impacted. A complete history of the District's long-term credit ratings is provided in this Debt Report.

I hope that the information in this Debt Report can be used to support development of sound capital plans and adherence to the District's finance and debt policies. I look forward to working with you in pursuing such capital plans, as they provide critical guidance for the protection of the District's infrastructure and assets. Together with sound capital planning, the District's debt and finance policies secure the District's fiscal strength in the years ahead.

If you have any questions or comments regarding this Debt Report, please contact my office at (213) 241-7888. Your input is important to us and would be greatly appreciated.

Sincerely,

Megan K. Reilly
Chief Financial Officer

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SECTION I: GENERAL OBLIGATION BOND DEBT

A. District's Bonded Debt Limitation and Assessed Valuation Growth

In accordance with Education Code Section 15106, the District's bonded debt limitation (also known as general obligation bonding capacity) equals 2.5% of the value of taxable property (i.e., assessed valuation) in the District. For Fiscal Year 2013-14, total assessed valuation in the District was $503.7 billion[1], resulting in a bonded debt limitation of $12.6 billion. Table 1 presents the District's maximum debt limit versus outstanding debt as of June 30, 2014. The difference is the "Legal Debt Margin."

Table 1
Bonded Debt Limitation and Legal Debt Margin
As of June 30, 2014
(in $000s)

Total Assessed Valuation	$ 503,677,920
Bonded Debt Limitation (2.5% times Assessed Valuation)	$ 12,591,948
Less: Outstanding General Obligation Bonds[2]	(10,545,135)[3]
Equals: Legal Debt Margin[2]	**$ 2,046,813**

In addition to new District debt issuance and the amortization pattern of the outstanding debt, the Legal Debt Margin is affected by the assessed valuation growth in the District. Assessed valuation typically grows up to the maximum base annual rate of 2% allowed under Proposition 13 for existing property, with additional growth coming from new construction and the sale and exchange of property. The District's all-time maximum assessed valuation of $532.9 billion occurred in Fiscal Year 2014-15, one year beyond the reporting period in this Debt Report. The average growth rate has been 5.55% over the 30 years through FY 2013-14 and averaged a lower 1.22% over the past 5 years. The charts on the next page present a history of the District's assessed valuation and assessed valuation growth.

Anticipated increases in future assessed valuation will permit issuance of new General Obligation Bonds to the extent that Proposition 39 tax rate limitations are not exceeded and bond proceeds on hand are sufficiently spent down. See the discussion on Proposition 39 tax rate limitations in Section I.E, herein.

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[1] Subsequent to the reporting period for this Debt Report, assessed valuation for Fiscal Year 2014-15 was reported to be $532.9 billion, an increase of 5.81% from the Fiscal Year 2013-14 level.

[2] The District's Comprehensive Annual Financial Report ("CAFR") reports these figures differently by adjusting them for unamortized bond premiums and discounts and amounts available in the Bond Interest and Redemption Fund to pay bond principal.

[3] Subsequent to the reporting period for this Debt Report, the District issued $135,830,000 General Obligation Bonds on August 19, 2014.

Chart 1
LAUSD Assessed Valuation
(As of June 30, 2014)

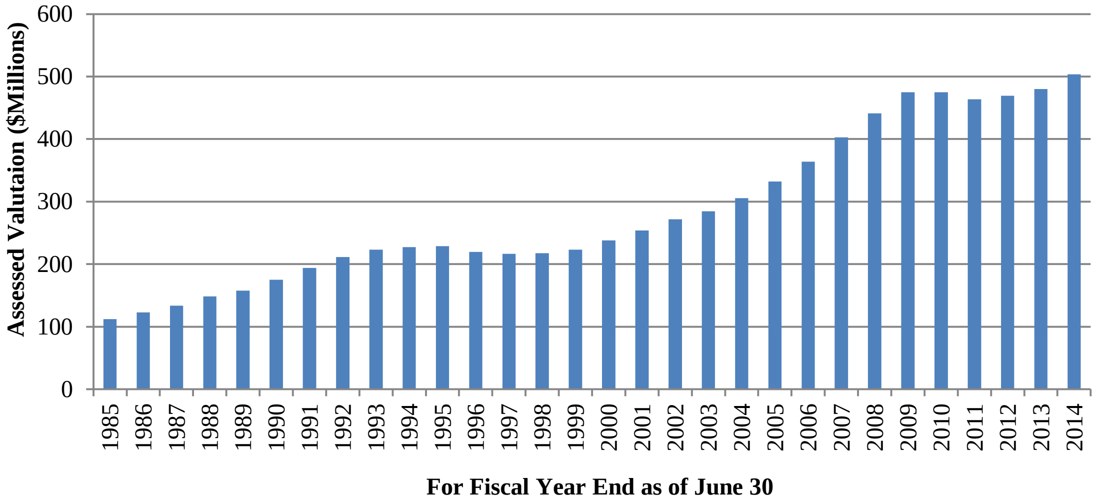
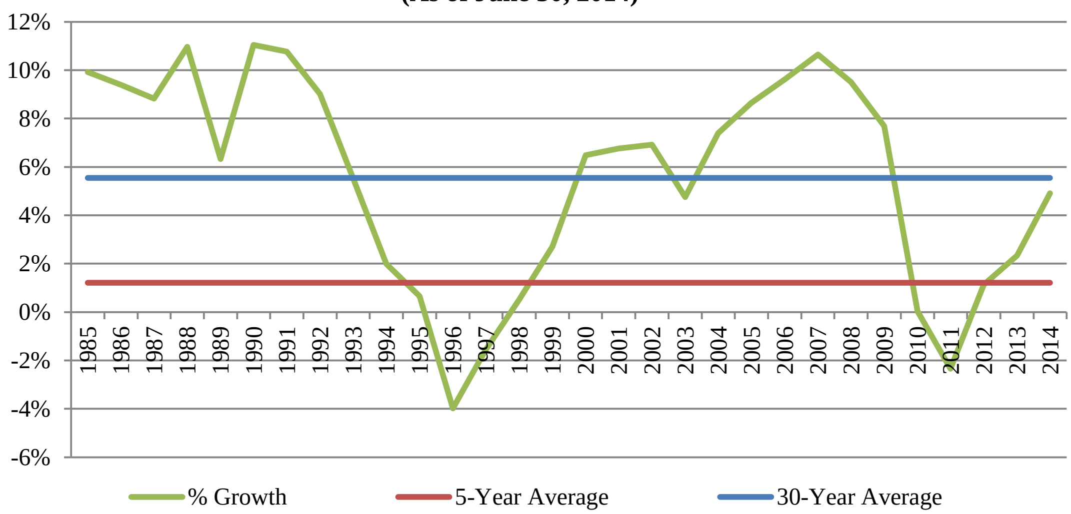


Chart 2
LAUSD Growth in Assessed Valuation
(As of June 30, 2014)



B. Bonds Outstanding and Bonds Authorized But Unissued

As of June 30, 2014, the District had a total of $10.55 billion[1] of outstanding voter authorized General Obligation Bonds, for which a detailed listing and the debt service requirements can be found in Appendix 1-A.

The District had a total of $7.68 billion of authorized but unissued General Obligation Bonds as of June 30, 2014. Table 2 presents overall highlights of the District's authorized but unissued bonds.

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1 Subsequent to the reporting period for this Debt Report, the District issued $135,830,000 General Obligation Bonds on August 19, 2014.

Table 2
Authorized but Unissued General Obligation Bonds as of June 30, 2014
($ Thousands)

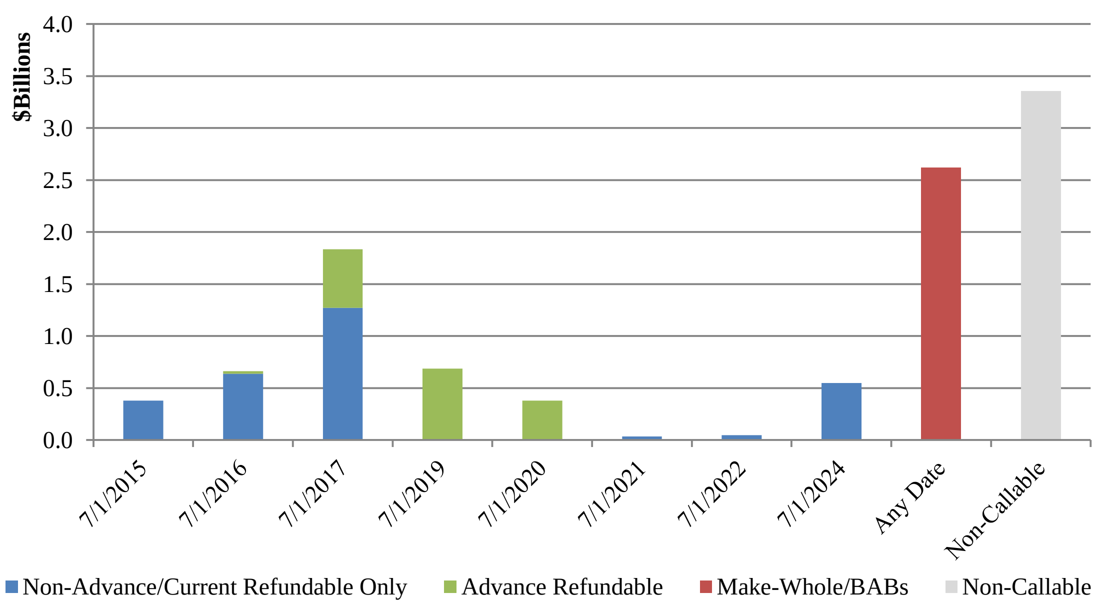
	Proposition BB	Measure K	Measure R	Measure Y	Measure Q
Voter Authorization Amount	$2,400,000	$3,350,000	$3,870,000	$3,985,000	$7,000,000
Issued	2,400,000	3,350,000	3,634,795	3,542,235	0
Authorized but Unissued	$0	$0	$235,205	$442,765	$7,000,000

The District's issuance of $135.83 million of new money General Obligation Bonds in Fiscal Year 2014-15 will increase General Obligation Bond debt service in Fiscal Years 2015-16 through 2020-21. A detailed schedule of the projected annual payments on these bonds can be found in Appendix 1-C.

C. Distribution of Bonds by Prepayment/Call Flexibility; General Obligation Bond Refundings

The District's outstanding General Obligation Bonds have varying degrees of prepayment or call flexibility. Chart 3 shows the District's outstanding General Obligation Bonds by call date that are: 1) non-callable, 2) eligible to be advance refunded prior to their call date, 3) eligible to be refunded on a taxable or forward basis prior to their call date (and current refundable on a tax-exempt basis after said call date), and 4) eligible to be refunded with a make whole call. The General Obligation Bonds that have a make whole/extraordinary redemption feature represent special bond structures permitted under the American Reinvestment and Recovery Act (ARRA); see Section I.D - "Innovative Transactions" on the following page.

Chart 3
Distribution of Outstanding LAUSD G.O. Bonds
(by Call Date as of June 30, 2014)



The Chief Financial Officer regularly monitors market conditions for advance and current refunding opportunities that, pursuant to the Debt Management Policy, will produce at least 3% net present value savings for each maturity of bonds refunded and for which negative arbitrage is less than the net present value savings. Table 3 provides a summary of the savings from refundings that have been completed through June 30, 2014. These refundings will save taxpayers approximately $408.2 million over the term of the bonds.

Table 3
Summary of General Obligation Refunding Bonds Savings
(as of June 30, 2014)

Refunding Bond Issue	Amount Refunded ($ millions)	Term of the Refunding Bonds (years)	Total Savings ($ millions)
2002	$ 262.7	17	$ 12.8
2004 A-1 & A-2	215.7	18	10.6
2005 A-1 & A-2	485.0	20	38.4
2006 A	131.9	13	6.3
2006 B	561.4	21	29.3
2007 A-1 & A-2	1,250.3	21	82.1
2007 B	25.8	12	1.8
2009 A	72.3	9	2.1
2010 A	72.8	5	2.4
2011 A-1 & A-2	425.6	13	37.9
2012A	158.8	17	12.9
2014	1,706.4	17	171.6
Total	$5,368.6		$ 408.2

D. Innovative Transactions

In Fiscal Year 2009-10, the District took advantage of innovative bond programs permitted under the Federal government's new American Reinvestment and Recovery Act (ARRA). The ARRA financing structures provided lower debt service costs than traditional tax-exempt bonds. LAUSD took advantage of these innovative ARRA bond structures more than any other school district in the nation, achieving expected savings of $1.1 billion.

One of the federal bond programs, Build America Bonds (BABs), is a taxable bond program for which the federal government initially subsidized 35% of the interest cost. The District sold about $1.4 billion of taxable BABs in October 2009 and another $1.25 billion in February 2010 rather than issuing traditional tax-exempt municipal bonds. The District's combined BABs offerings were by far the largest of any school district in the U.S. Another federal bond program used by LAUSD at that time is known as Qualified School Construction Bonds (QSCBs). These are also taxable bonds, however, under this structure investors receive a tax credit against their federal income tax rather than interest payments. The District sold $318.8 million of QSCBs to taxable investors in October 2009 in what was the largest QSCBs offering of any school district in the U.S. in 2009. The District also received a QSCB allocation of $290.2 million for 2010 and, under new legislation enacted in March 2010, was able to sell those QSCBs as subsidized taxable bonds rather than tax credit bonds. The legislative change was important because, unlike the District, many school districts were unable to successfully sell QSCBs as tax credit bonds. For its May 2010 QSCBs sale, the District was approached by an investor who offered to purchase $100 million of the QSCBs at 25 basis points lower in yield than the purchasers of the remaining QSCBs. The investor was motivated by being able to use the purchase to meet its requirements to invest in the local community either in the form of reduced lending rates to loan applicants or the purchase of investments from an agency such as the District.

Sequestration. On March 4, 2013 the Internal Revenue Service announced that certain automatic reductions to federal budget items would take place, effective March 1, 2013. Based upon the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, the automatic reductions are due to so-called "sequestration." Federal subsidies on BABs and QSCBs, among others, were reduced by 8.70%, or a reduction of $3.2 million from the subsidies provided toward the District's July 1, 2013 bond interest cost. The sequestration has continued with the annual sequestration rate determined at the beginning of the Federal fiscal year (October 1). The IRS announced that the Federal subsidy for fiscal year 2014 would be reduced by 7.20%, calculated to result in $2.7 million less for each of the District's interest payments in January and July 2014[1]. The reduced subsides are offset by additional tax levies on District taxpayers. Unless Congress otherwise addresses the federal deficit matter, sequestration will occur each federal fiscal year.

E. Tax Rate Performance on Outstanding Bonds

The Tax Rate Statements for each of the District's five General Obligation Bond authorizations set forth various assumptions including the average annual assessed valuation growth over the life of the bonds, the average interest rate on the future bond issuances, and the estimated tax rates to be paid by District taxpayers to service the debt on the outstanding General Obligation Bonds. The assumptions in the respective Tax Rate Statements are not technically binding on the District, as actual issuance patterns, interest rates, and the growth pattern of the assessed valuation base combine to determine the actual tax rates. Nevertheless, the District actively manages its bond issuance program so that actual tax rates are close to or lower than the tax rates set forth in each respective Tax Rate Statement. The tables following present the assumptions included in the Tax Rate Statements and actual results to date.

The first table below summarizes the assumptions in the Tax Rate Statements for each of the five bond measures for the assessed valuation growth rate and the interest rates on the bond sales. It also provides the election date, amount approved, and election authorization. The tables that follow provide separate tax rate information on each of the five GO Bond authorizations.

Table 4
Summary of Tax Rate Performance Assumptions
(as of June 30, 2014)

	Election Date	Amount ($billions)	Assumed Average Assessed Valuation Growth	Assumed Interest Rate	Type of Election
Proposition BB	04/08/97	2.400	2.0%	5.75%	Traditional 66 2/3rds%

1 The sequestration rate for January 2015 and July 2015 bond interest payments is 7.3%.

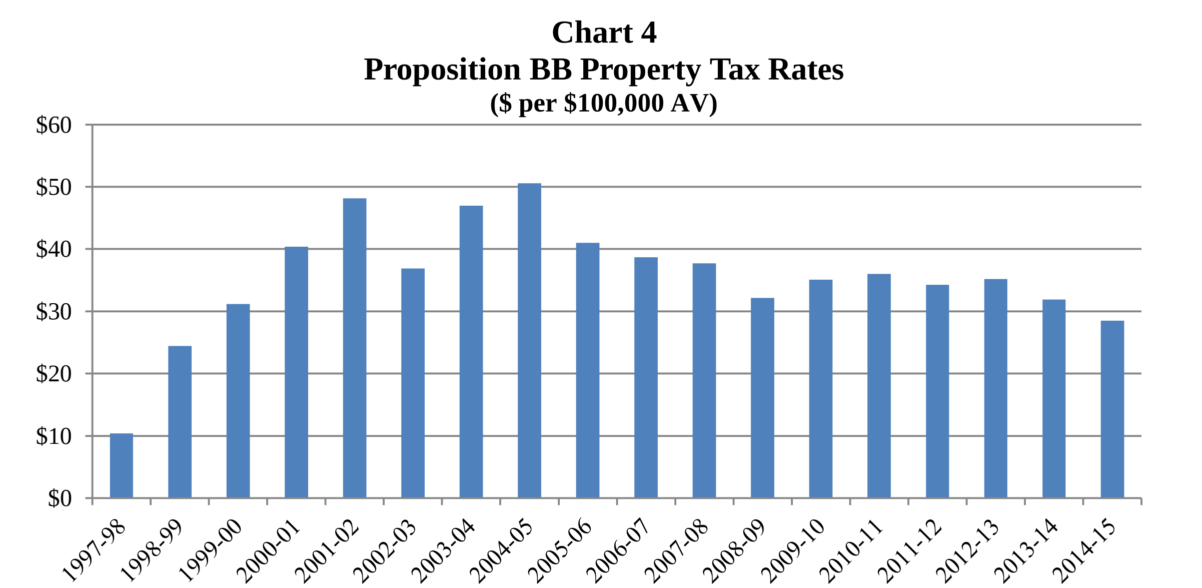
	Election Date	Amount ($billions)	Assumed Average Assessed Valuation Growth	Assumed Interest Rate	Type of Election
					Minimum Approval
Measure K	11/05/02	3.350	3.9%	5.50%	Proposition 39 – 55%
Measure R	03/02/04	3.870	5.0%	5.25%	Proposition 39 – 55%
Measure Y	11/08/05	3.985	6.0%	5.25%	Proposition 39 – 55%
Measure Q	11/04/08	7.000	6.0%	5.25%	Proposition 39 – 55%

E-1. Proposition BB Tax Rates

Table 5
Estimated Tax Rates Set Forth in Tax Rate Statements for Proposition BB
(Rates expressed as $ per $100,000 of assessed valuation)

Tax Rate Description	As Projected in Tax Rate Statement	Actual
Estimated tax rate in the fiscal year following the issuance of the first series of bonds	$23.43 (in FY 1998-99)	$24.42 (in FY 1998-99)
Estimated maximum tax rate and the year in which the maximum tax rate occurs	$67.46 (in FY 2010-11)	$50.55 (in FY 2004-05)
Current Tax Rate (Actual)		**$28.49 (in FY 2014-15)**

There are no remaining unissued Proposition BB bonds. As a result, if assessed valuation increases, the tax rate will decline over time for Proposition BB bonds.



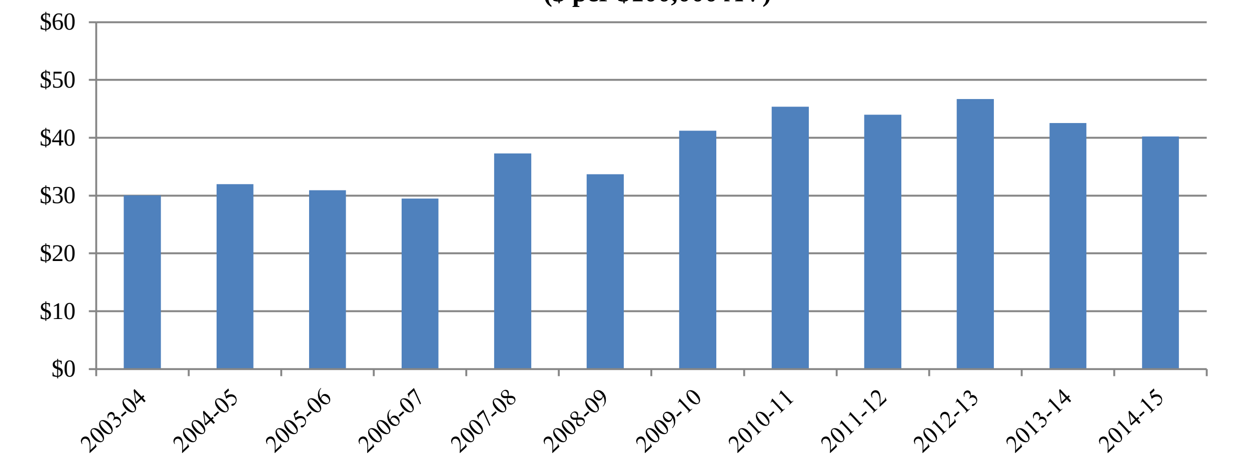
E-2. Measure K Tax Rates

Table 6
Estimated Tax Rates Set Forth in Tax Rate Statements for Measure K
(Rates expressed as $ per $100,000 of assessed valuation)

Tax Rate Description	As Projected in Tax Rate Statement	Actual
Estimated tax rate in the fiscal year following the issuance of the first series of bonds	$60.00 (in FY 2004-05)	$31.97 (in FY 2004-05)
Estimated maximum tax rate and the year in which the maximum tax rate occurs	$60.00 (in FY 2004-05)	$46.72 (in FY 2012-13)
Current Tax Rate (Actual)		**$40.24 (in FY 2014-15)**

There are no remaining unissued Proposition K bonds. As a result, if assessed valuation increases, the tax rate will decline over time for Proposition K bonds.

Chart 5
Measure K Property Tax Rates
($ per $100,000 AV)



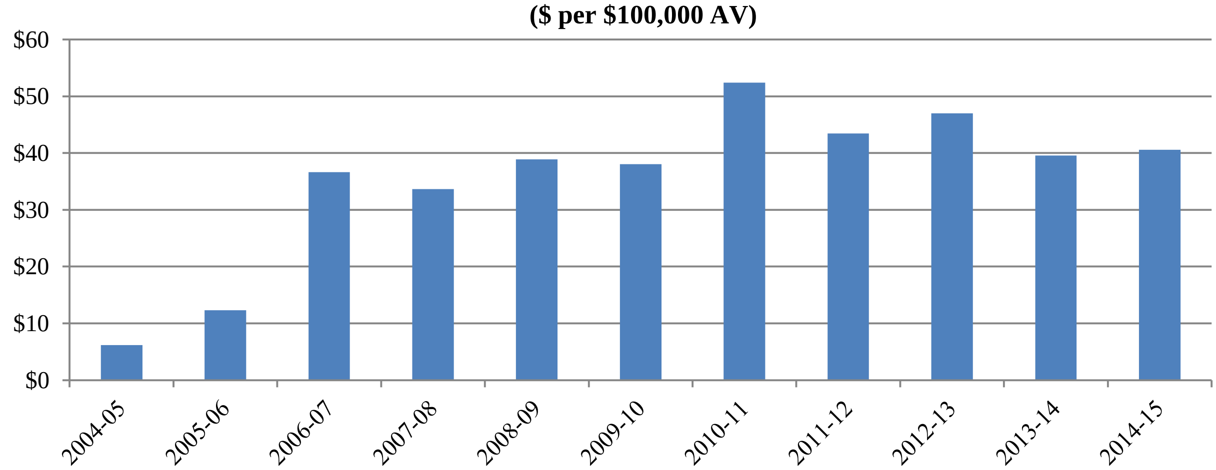
E-3. Measure R Tax Rates

Table 7
Estimated Tax Rates Set Forth in Tax Rate Statements for Measure R
(Rates expressed as $ per $100,000 of assessed valuation)

Tax Rate Description	As Projected in Tax Rate Statement	Actual/Projected
Estimated tax rate in the fiscal year following the issuance of the first series of bonds	$21.93 (in FY 2005-06)	$12.33 (in FY 2005-06) Actual
Estimated maximum tax rate and the year in which the maximum tax rate occurs	$60.00 (in FY 2011-12)	$52.69 (in FY 2010-11) Current maximum tax rate projection
Current Tax Rate (Actual)		**$40.59 (in FY 2014-15)**

As of fiscal year-end 2013-14, there was $235.205 million of remaining Measure R authorization. The District issued an additional $75.215 million of Measure R bonds on August 19, 2014. The combination of the 2014-15 tax levies and the original issue premium from the sale of these bonds produced sufficient funds to make the debt service payments on the additional bonds through July 2015. The actual maximum tax rate through the final maturity date of Measure R bonds will depend on the actual debt service costs and interest rates on the future issuance(s) of the remaining bond authorization as well as the District's future assessed valuation.

Chart 6
Measure R Property Tax Rates
($ per $100,000 AV)

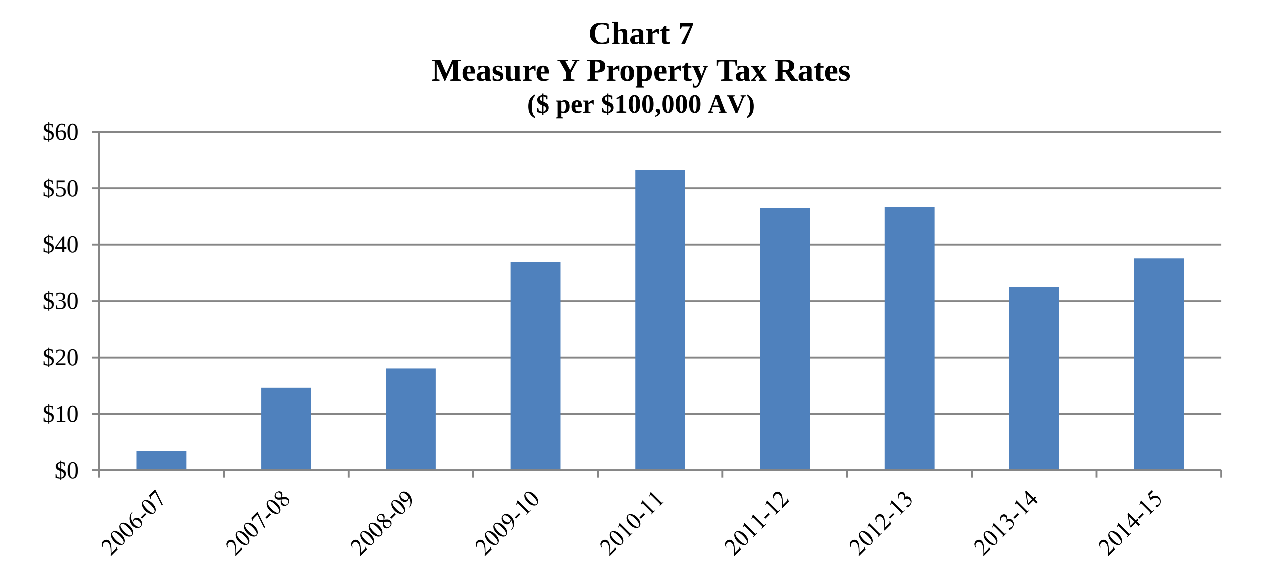


E-4. Measure Y Tax Rates

Table 8
Estimated Tax Rates Set Forth in Tax Rate Statements for Measure Y
(Rates expressed as $ per $100,000 of assessed valuation)

Tax Rate Description	As Projected in Tax Rate Statement	Actual/Projected
Estimated tax rate in the fiscal year following the issuance of the first series of bonds	$5.74 (in FY 2006-07)	$3.45 (in FY 2006-07) Actual
Estimated maximum tax rate and the year in which the maximum tax rate occurs	$60.00 (in FY 2012-13)	$53.23 (in FY 2010-11) Current maximum tax rate projection
Current Tax Rate (Actual)		**$37.56 (in FY 2014-15)**

As of fiscal year-end 2013-14, there was $442.765 million of remaining Measure Y authorization. The District issued an additional $60.615 million of Measure Y bonds on August 19, 2014. The combination of the 2014-15 tax levies and the original issue premium from the sale of these bonds produced sufficient funds to make the debt service payments on the additional bonds through July 2015. The actual maximum tax rate through the final maturity date of all Measure Y bonds will depend on the actual debt service costs and interest rates on the future issuance(s) of the remaining bond authorization as well as the District's future assessed valuation.



E-5. Measure Q Tax Rates

As with the earlier bond referendums, the estimated tax rate for Measure Q bonds in the November 4, 2008 election was based on no more than the $60 per the $100,000 of assessed valuation limitation under Proposition 39. Based on the needs of the District and alternative funding sources, to date, the

District has not issued any Measure Q General Obligation Bonds. The District will report its expected and actual tax rates for Measure Q once bonds under this measure are issued.

SECTION II: CERTIFICATES OF PARTICIPATION ("COPs")

A. COPs Outstanding

Over the years, the District has issued COPs to fund a variety of capital projects needed either prior to the voter approval of GO measures or that were not eligible for GO funding, including the construction of non-school facilities, equipment and certain IT systems. While all COPs are secured by the District's General Fund, debt service on certain eligible COPs can be repaid from other revenue sources. The District has strived to maximize the portion of its COPs debt service that is paid from non-General Fund sources including using developer fees for debt service on projects related to enrollment growth or overcrowding and cafeteria funds for COPs debt service on cafeteria-related projects. However, in both instances, if such sources are insufficient, debt service is required to be paid from General Fund sources. Debt service on all other existing COPs is paid from General Fund sources. The District has also prepaid COPs when possible with GO bond proceeds and other available funds, as described in the following Section B.

Table 9 provides a listing of the District's outstanding COPs. The District currently has no COPs in variable rate mode. As of June 30, 2014, a total of $365.9 million of COPs were outstanding, net of defeased COPs. The debt service requirements on outstanding COPs can be found in Appendix 2.

Chart 8 shows COPs debt service as of the close of Fiscal Year 2013-14. Debt service payments from the General Fund total $402 million through the final maturity of the COPs, which amount does not reflect the federal subsidies expected to be received and applied toward the debt service requirements for the 2010 Series B-1 COPs that were issued as BABs.

Table 9
Certificates of Participation Outstanding
(as of June 30, 2014)

Issue Description	Date of Issue	Principal Amount Issued ($000s)	Principal Outstanding (June 30, 2014) ($000s)	Original Final Maturity
COPs (Refinancing Project I and Refunding Project I), 2004 Series A	07/28/2004	$ 50,700	$ 2,340	10/01/2014
COPs (Qualified Zone Academy Bonds) Series 2005 (taxable) [1]	12/01/2005	10,000	10,000	12/13/2020
COPs (Information Technology Projects), 2007 Series A[2,3]	11/15/2007	99,660	45,225	10/01/2017
COPs (Food Services Projects), 2009 Series A[2,4]	09/29/2009	40,728	24,344	10/01/2019
COPs Refunding (Multiple Properties Project), 2010 Series A	01/27/2010	69,685	40,975	12/01/2017
COPs (Federally Taxable Direct Pay Build America Bonds, Capital Projects I), 2010 Series B-1	12/21/2010	21,615	21,615	12/01/2035
COPs Refunding (Tax-Exempt, Capital Projects I), 2010 Series B-2	12/21/2010	61,730	45,870	12/01/2020
COPs (Refunding Headquarters Building Projects), 2012 Series A	06/06/2012	87,845	80,635	10/01/2031
COPs (Refunding Headquarters Building Projects), 2012 Series B	06/12/2012	72,345	71,545	10/01/2031
Series 2013A (Refunding Lease)	06/24/2013	24,780	23,310	08/01/2028
Total		**$ 539,088**	**$ 365,859**	

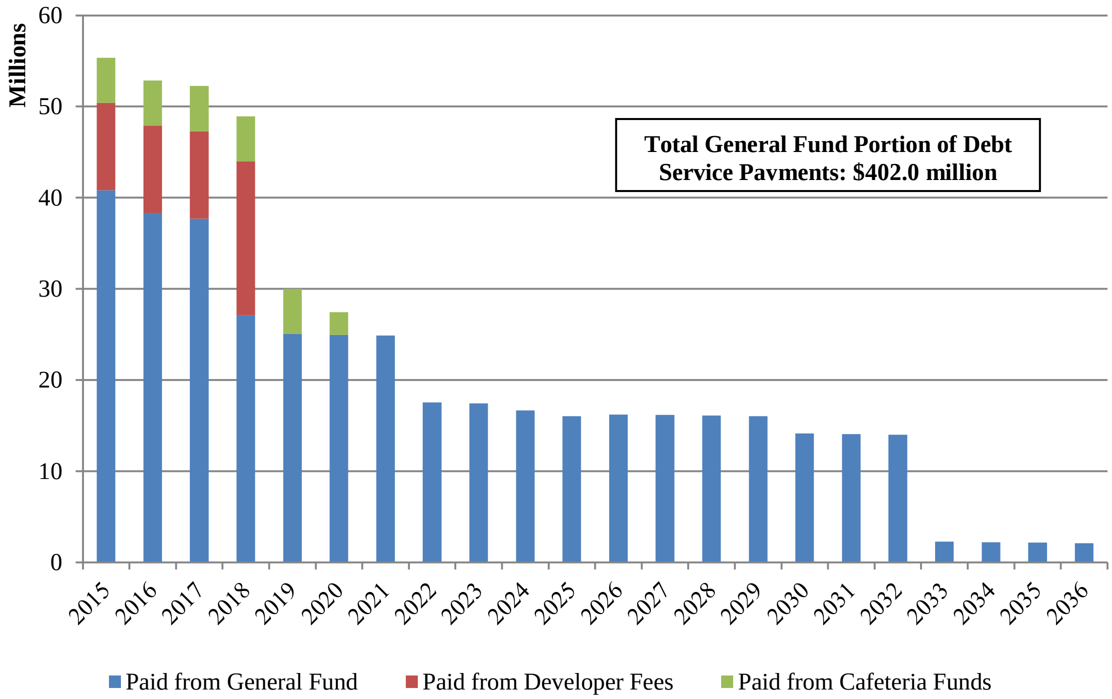
[1] The Series 2005 COPs do not carry interest payments; instead, the purchaser receives a tax credit. The guaranteed investment contract (GIC) used for part of the defeasance on the 2005 COPs was terminated in August 2008 due to the rating downgrade of the GIC provider. A portion of the base rental payments has been set aside such that the net amount due by the District as of June 30, 2014 was approximately $4.8 million. The District may need to contribute more funds to redeem the 2005 Qualified Zone Academy Bonds, depending upon the amount of ongoing investment returns.

[2] A portion of debt service payments for these COPs, totaling $32.6 million, was defeased from General Obligation Bond proceeds in September 2010.

[3] A portion of future debt service payments for the 2007 Series A COPs, totaling $12.7 million, were funded from proceeds of General Obligation Bonds issued on August 19, 2014, subsequent to the reporting period of this Debt Report.

[4] General Obligation Bonds issued on August 19, 2014, subsequent to the reporting period of this Debt Report, funded $24.8 million required to pay the October 1, 2014 debt service payment and call all remaining 2009 Series A COPs. On October 1, 2014, the 2009 Series A COPs were called using proceeds of the General Obligation Bonds and additional funding from unspent project funds on hand. The 2009 Series A COPs are no longer outstanding.

Chart 8
Certificates of Participation Debt Service[1]
(as of June 30, 2014)



[1] A portion of future debt service payments for the 2007 Series A COPs, totaling $12.7 million, were funded from proceeds of General Obligation Bonds issued on August 19, 2014, subsequent to the reporting period of this Debt Report. In addition, the General Obligation Bonds funded $24.8 million required to pay the October 1, 2014 debt service payment and call all remaining 2009 Series A COPs. On October 1, 2014, the 2009 Series A COPs were called using proceeds of the General Obligation Bonds and additional funding from unspent project funds on hand. The 2009 Series A COPs are no longer outstanding.

B. COPs Refundings

As noted previously, the District relied on COPs in part to finance school facilities prior to the voter approval of its GO bond measures. Following voter approval, in Fiscal Years 2004-05 and 2005-06, the District used Measure R and Measure Y bond proceeds to defease $143.42 million and $183.7 million of COPs debt service payments, respectively, providing direct General Fund savings. Similarly, in September 2010 and August 2014, the District used Measure Y bond proceeds, unspent project funds and other funds on hand with the COPs trustee totaling $69.6 million to defease and/or prepay debt service payments on the 2007 Series A and 2009 Series A COPs. In addition, the District has used other available amounts such as one-time funds and shifted certain debt service payments to non-General Fund sources such as developer fees to reduce its General Fund COPs debt service.

Table 10 presents a history of the District's COPs refundings.

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Table 10
Los Angeles Unified School District
Summary of COPs Refundings[1]

Issue Description	Date of Issue	Principal Amount Issued ($000s)	Refunded COPs	Term of Refunding COPs (Years)	Nominal Savings (000s)	Average Annual Savings (000s)
1991 Refunding COPs (Francisco Bravo Medical Magnet Senior High School)	11/13/91	$46,110	1988 COPs	16.0	N/A	N/A
1993 Refunding COPs[2]	11/15/93	69,925	1991 COPs	20.0	N/A	N/A
1998A Refunding COPs (Multiple Properties Project)	06/10/98	60,805	1993 Refunding COPs	16.0	N/A	N/A
2002A Refunding COPs (Francisco Bravo Medical Magnet Senior High School)	03/06/02	21,655	1991 Refunding COPs	6.5	$6,755.2	$1,039.3
2004A&B Refunding COPs (Refinancing Project I and Refunding Project I)	05/24/05	57,625	Portions of 2000A, 2001B, 2001C, 2002B, 2002C, 2003A and 2003B COPs	7.0	N/A	N/A
2004A, B and D General Obligation Bonds (Measure R)[3]	09/23/04	150,000	2000B and 2002B COPs	5.0	$155,836.3	$31,167.3
2005A Refunding COPs (Administration Building Project)[4]	05/24/05	86,525	2001C COPs	20.0	N/A	N/A
2005C Refunding COPs (Multiple Properties Project)[5]	05/24/05	44,225	1996 COPs	26.0	$(8,922.4)	$(343.2)
2006A, B and D General Obligation Bonds (Measure Y)[2]	02/22/06	184,385	2002B, 2003A and 2004 COPs	15.5	$215,741.9	$13,918.8
2008A&B Variable Rate Refunding COPs[6]	08/06/08	120,950	2005A&B COPs	23.0	N/A	N/A
2010A Refunding COPs (Multiple Properties Project)[7]	01/27/10	69,685	1997A and 1998A COPs	8.0	N/A	N/A
2012 A&B Refunding COPs (Administration Building Projects)[8]	6/06 & 12/12	164.39	2001B, 2002C, 2008 A & B COPs	20.0	$4,066.0	$201.0
2013 Refunding Lease	06/24/13	24,780	2003B COPs	15.0	4,822.1	321.5
				Total	**$378,299.1**	

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[1] On August 19, 2014, subsequent to the reporting period of this Debt Report, a portion of debt service payments for the 2007 Series A COPs totaling $12.7 million and the $24.8 million required to pay the October 1, 2014 debt service payment and call all remaining 2009 Series A COPs. The 2009 Series A COPs were called on October 1, 2014 using funds from unspent project funds and proceeds of the General Obligation Bonds.

[2] The 1993 Refunding COPs refunded the 1991 COPs (Capital Facilities Project) that funded the acquisition of the Ambassador Hotel site through eminent domain. The legal documents for the 1991 COPs provided that said COPs would be refunded within 3 years if title to the Ambassador Hotel site had not been obtained. Since title had not been obtained by the three year mark, the District refunded the 1991 COPs. There were no savings associated with this refunding, as the transaction was done as a restructuring.

[3] These GO bonds shifted the COPs debt service from the District's General Fund to taxpayers, thereby saving General Fund resources.

[4] This series converted a prior fixed rate series to a variable rate structure. The District has indicated the savings for this transaction to be “not available” because future variable rates and ancillary costs could not be known with certainty at the time of the refunding and this table is meant to provide only actual savings.

[5] The amortization of this series was 20 years versus the 12 year amortization of the refunded bonds, resulting in dissavings in the out years.

[6] These series changed the variable rate structure from variable rate bonds secured with a line of credit and a bond insurance wrap to variable rate bonds secured by a letter of credit. Thus, no estimates of any savings were prepared at the time of the transaction, as the transaction was more a restructuring than a transaction designed to achieve savings.

[7] These series changed the refunded COPs' variable rate structure to a fixed rate structure. Savings are considered “not available” on the variable to fixed rate series because future variable rates and ancillary costs could not be known with certainty at the time of the refunding. This table is meant to provide only actual savings.

[8] These series converted two prior variable rate series (2008A and B) to a fixed-rate structure and refunded two fixed rate series. The savings shown in the table are only the known savings from the fixed-rate refunding of the two prior fixed rate series (the 2001B and 2002C). Savings are considered “not available” on the variable to fixed rate series because future variable rates and ancillary costs could not be known with certainty at the time of the refunding. This table is meant to provide only actual savings.

SECTION III: THE MARKET FOR THE DISTRICT'S DEBT

A. Municipal Bond Market

The District's bonds, COPs, and tax and revenue anticipation notes ("TRANs") are issued and traded in the United States' municipal bond market. Major groups of investors in this market include tax-exempt bond funds, insurance companies, investment bank portfolios, trust departments, investment advisors, individual investors, and money market funds. The various market participants may have different preferences for the structure and maturities of the bonds, COPs or TRANs that they purchase. As one of the largest issuers of municipal bonds in the country, the District is able to draw significant attention from these investor groups. The table to the right is a listing of the largest institutional holders of the District's long-term bonds that are required to publically report their holdings. These generally include bond funds and some insurance companies.

Company	$Thousands
Vanguard	1,127,904
Franklin Templeton	323,950
PIMCO	297,083
Wellington	209,338
BlackRock	199,132
J.P. Morgan Investment Management	138,711
Guggenheim	133,472
AllianceBernstein LP	122,968
Prudential Investment Management	119,464
Dodge & Cox	113,690
Nuveen Asset Management	87,820
Fidelity	84,700
John Hancock Life Insurance	73,750
Thornburg Investment Management	66,110
Metropolitan Life Insurance Co (MetLife)	65,170
Mason Street Advisors	65,150
American Century Investment Management	64,505
AIG Asset Management	63,708
Lord, Abbett & Co	58,164
PineBridge Investments	56,860

The District's borrowing costs reflect the interest rates the District achieves each time it sells bonds. Those rates are a function of many factors, including the District's credit ratings, market interest rate levels, competing supply, investor asset levels and anticipated Federal Reserve policy actions at the time of sale. These factors combine to determine the level of investor demand for the District's credit. An important determinant of the rates of return investors demand is their perception of the District's ability and willingness to repay its obligations as well as the District's overall financial, debt and economic performance compared to other issuers. The investment community has historically viewed the District's bonds and COPs as high quality investment grade securities, owing to the District's financial position, vast local economy, significant access to voter-approved tax levies, and pristine debt service payment track record.

Traditionally, the large numbers of investors residing in California and the State's progressive income tax system have provided investors with incentives to purchase the District's bonds and COPs. However, the interest rates on the District's and other local government issuers' bonds in California are also subject to the State's fiscal position. Investor perception of the State's bonds had weakened significantly over a multi-year period beginning in 2009 due to the State's credit deterioration, investor concerns over the magnitude of the State's budget and cash shortfalls, late budgets with non-structural budget solutions, massive issuance of new money bonds, including deficit bonds, and voter approval of a large amount of additional debt. During this period, the State's credit was downgraded by the three major rating agencies to the lowest level of any state in the country and its borrowing costs relative to other issuers rose dramatically. While not as dramatic, the State's credit issues had a direct impact on the borrowing costs of other issuers that were viewed as "agencies" of the State, such as LAUSD, even though the District's credit ratings remained very strong and well-above those of the State. Over the last four years, however, the State’s credit profile has improved significantly. The Legislature has passed four years of on-time balanced budgets and the administration has repaid a significant portion of its budgetary borrowings. As a result, the State’s interest rates relative to national indices have improved dramatically. The State’s improvement has in turn had a positive effect on interest rates for other California issuers considered “agencies” of the State, including the District.

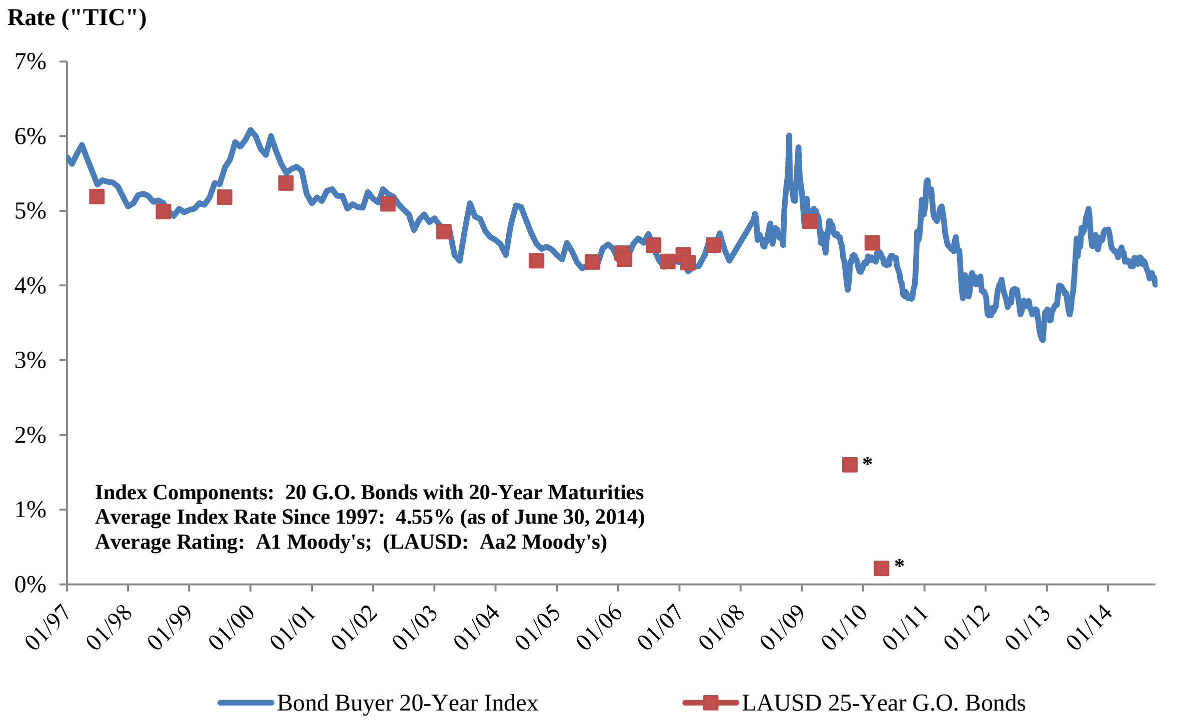
The District’s interest rates are also subject to the broader financial market conditions. This was particularly apparent during the financial crisis. During the financial crisis, there were periods when market access became very restricted and certain municipal products failed. While some products that had been common in the municipal market, such as auction rate securities and AAA-rated bond insurance, are no longer available, the municipal market has recovered and is very strong, with low interest rates as described further in the following text.

B. Cost of the District’s Debt; No Variable Rate Debt Outstanding

B-1. Fixed Rate Debt

All of the District’s General Obligation Bond and COPs issues carry fixed interest rates. Since reaching a cyclical high in 1999, fixed interest rates have fallen to historically low levels. This has helped the District achieve very low interest cost on its General Obligation Bonds when compared to industry benchmarks such as The Bond Buyer 20-Bond Index (the “Index”), as shown in Chart 9. The 20-Bond Index consists of 20 General Obligation Bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. The District’s bonds have a term to maturity of 25 years so, *ceteris paribus*, one would expect the true interest costs (“TICs”) to be above the Index; however, yields on the District’s issues tend to be below the Index. In addition, the District’s TICs on its two QSCB issues in 2009 and 2010 were well below the Index due to the heavily subsidized interest rate provided under the QSCB program. A listing of the TICs for each series of 25-year General Obligation Bonds sold by the District is provided in Appendix 1-A.

Chart 9
True Interest Cost ("TIC") Rates on Actual LAUSD 25-Year G.O. Bond Issues
vs.
The Bond Buyer 20-Bond Index for G.O. Bonds



*The two low TIC outliers are the Election of 2005, Series H (2009) and Series J (2010) Qualified School Construction Bonds (Tax Credit Bonds)

B-2. Variable Rate Debt

Current statutory provisions make it impractical for the District to issue variable rate General Obligation Bonds, as ancillary costs such as remarketing fees and liquidity fees cannot be paid from voter approved *ad valorem* property tax levies. Thus, with the vast majority of the District's debt necessarily being issued as fixed rate bonds, the District has looked to COPs from time to time to achieve debt portfolio diversification in the form of variable rate COPs. As of June 30, 2014, however, the District has no outstanding variable rate COPs.

SECTION IV: THE DISTRICT'S CREDIT RATINGS

A. Long-Term Credit Ratings on General Obligation Bonds and Certificates of Participation

Long-term credit ratings provided by a rating agency are an independent assessment of the relative credit risk associated with purchasing and holding a particular bond through its scheduled term of repayment. Long-term credit ratings serve as independent opinions of a borrower's financial strength and ability to repay its debt on a timely basis. Long-term credit ratings are one of the most important indicators of creditworthiness readily available to the investment community and have a direct impact on the borrowing rates paid by the District.

Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P") currently rate the District's General Obligation Bonds as Aa2 and AA-, respectively. The District has requested ratings from only Moody's and S&P since 2006. The District requested withdrawal of all of its prior Fitch ratings in September 2009.

The District's General Obligation Bond ratings are generally "high quality investment grade" ratings as shown in Table 11. Moody's and S&P currently rate the District's COPs in the "upper medium grade" category as A1 and A+, respectively. General Obligation Bond ratings are typically one to two notches higher than those of COPs, owing to the superior credit strength of the *ad valorem* property taxes pledged to repay General Obligation Bonds versus the General Fund pledge that supports repayment of COPs.

Table 11
Credit Ratings
(District's G.O. Bond Ratings Highlighted in Red)
(District's COPs Ratings Highlighted in Blue)[1]

	Moody's	S&P
Best Quality	Aaa	AAA
High Quality	Aa1	AA+
	Aa2	AA
	Aa3	**AA-**
Upper Medium Grade	**A1**	**A+**
	A2	A
	A3	A-
Medium Grade	Baa1	BBB+
	Baa2	BBB
	Baa3	BBB-
Below Investment Grade	Ba1 and Lower	BB+ and Lower

S&P rates COPs one notch lower than the rating on general obligation bonds, whereas Moody's rates COPs two notches lower than the rating on general obligation bonds.

In addition to the rating itself, each rating agency publishes an outlook on the rating. Outlooks are either "Positive", "Stable" or "Negative." A "Positive" outlook indicates a possible upgrade in the rating may occur; a "Negative" outlook indicates a possible rating downgrade may occur; and a "Stable" outlook indicates that neither an upgrade nor a downgrade is anticipated. Each of the two agencies has assigned an outlook of "Stable" to the District's ratings.

Recognizing the importance of maintaining high quality ratings, the Board of Education adopted a Budget and Finance Policy that, among other things, establishes a minimum 5% General Fund reserve, effective July 1, 2005. The Chief Financial Officer notes that the District's 5% reserve is comprised of assigned, unassigned and committed balances for which the median balance is about 15% for large unified school districts in California[1]. A history of the District's General Obligation Bond and COPs ratings is presented in Appendix 3.

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[1] Source: Analysis of School District Reserves, Legislative Analyst's Office report, January 2015.

B. Short-Term Credit Ratings on Tax and Revenue Anticipation Notes

The District prepares and analyzes detailed General Fund cash flows each month as part of its cash management program's policy of assuring timely payment of all operational expenses. It issued tax and revenue anticipation notes each fiscal year from Fiscal Year 1991-92 through Fiscal Year 2012-13 to finance periodic cash flow deficits and manage its cash flow needs. The District has always received the highest possible short-term ratings from Moody's (MIG 1) and S&P (SP-1+) on its TRANs and has always timely repaid its TRANs. The District did not issue TRANs in Fiscal Year 2013-14 (or in Fiscal Year 2014-15, to date) owing to a combination of the State increasing its cash funding of school districts and reducing its cash deferrals.

SECTION V: DEBT RATIOS

A. Use of Debt Ratios

Pursuant to the District's Debt Management Policy set forth in Appendix 5, the Chief Financial Officer must calculate certain debt factors and debt burden ratios, compare them to benchmarks, and report the results in this Debt Report. Measuring the District's debt performance through the use of debt ratios provides a convenient way to compare the District to other borrowers. The most common debt ratios applied to school districts are:

- Ratio of Outstanding Debt to Assessed Value. The formula for this computation is contained in Section 15106 of the Education Code. The ratio is calculated for both "Direct Debt" (i.e., General Obligation Bonds) and "Combined Direct Debt" (both General Obligation Bonds and COPs), the latter commonly referred to as "Debt Burden" in the California Municipal Statistics Overlapping Debt Statement. In addition, the ratio "Overall Debt Burden" includes the District's Direct Debt plus the Direct Debt of issuers whose boundaries overlap those of the District. It is important to monitor the levels and growth of Direct Debt and Overall Direct Debt as they portray the debt burden borne by our taxpayers and serve as proxies for taxpayer capacity to take on additional debt in the future. A summary of overlapping debt in the District is set forth in Appendix 4.

- Ratio of Outstanding Debt Per Capita. The formula for this computation is Outstanding Debt divided by the population residing within the District's boundaries. Ratios are computed for both "Direct Debt Per Capita" and "Overall Debt Per Capita." It is important to monitor these ratios as they attempt to measure the degree to which debt is concentrated, i.e. whether it is spread across a large or small population. It should be noted that no official population data is collected at the District level, but the District provides estimates of its population, that are used in the per capita ratios.

- Ratio of Annual Lease Debt Service to General Funds Expenditures. The formula for this computation is annual lease debt service expenditures divided by General Funds (i.e., General and Debt Service Funds) expenditures (excluding interfund transfers) as reported in the most recent Comprehensive Annual Financial Report.

- Proportion of Fixed-Rate and Variable-Rate COPs Issues. The Debt Management Policy requires the District to keep its variable rate exposure, to the extent not hedged or swapped to fixed rate, at or below 20% of the total principal of outstanding COPs or $100 million, whichever is less. If variable rate debt is issued, the Chief Financial Officer periodically, but at least annually, determines whether it is appropriate to convert the debt to fixed interest rates. Such conversions were recommended and executed in Fiscal Year 2011-12.

The District's ratios and benchmark targets are provided in Tables 12 and 13.

B. LAUSD's Compliance with Debt Management Policy; Debt Levels Compared to Other School Districts

Table 12 provides a summary of the District's performance against policy benchmarks, targets and ceilings for debt paid from General Fund or other resources controlled by the District, such as developer fees and cafeteria funds. The District's policy calls for such annual debt service to be no more than 2 – 2 ½ % of General Fund Expenditures. In addition, the Board imposed an even more restrictive COPs annual debt service ceiling of $105.0 million in 2004. The District's actual performance is well within the policy targets and ceilings.

Table 12
Policy Benchmarks, Targets and Ceilings for Debt Paid From General Fund or Other Resources (COPs)
(As of June 30, 2014)

Factor	Benchmark/Target	Ceiling	LAUSD Actual	Over (Under) Policy Ceiling
Maximum COPs Gross Debt Service Limit (percentage)	2% of General Funds Expenditures (FY 2013-14)	2.5% of General Funds Expenditures	0.97%	(1.53%)
Maximum COPs Gross Debt Service Limit ($ million)	Not applicable	$105.0	$55.4	($49.6)
Unhedged Variable Rate Debt as % of Total COPs Debt		20%	0%	(20%)

The District is the largest independent public school district in the United States. On the basis of its size, one could argue that it is appropriate to compare LAUSD to other entities with similar size. However, those types of entities comprise a heterogeneous collection of cities, states, school districts and other public agencies rather than a homogenous group such as school districts. Thus, the Debt Management Policy requires that the Chief Financial Officer include a comparison of the District to the cohort of other large school districts, even though that category includes districts with varying types of funding mechanisms different from the District's funding mechanisms and includes no other district as large as LAUSD.

Table 13 sets forth the debt burden ratios that recognize the direct debt and overall debt of the District compared to benchmarks for large school districts whose ratings are in the double-A or higher rating category.

Due to the statistical dispersion of the underlying data for the benchmarks in Table 13 and the large size of the District's bonding program relative to other large school districts, the District's debt burden ratios are not unexpectedly higher than most of the benchmarks. Nevertheless, the District believes the "large, highly-rated" school district cohort to be the most appropriate cohort group against which it should be compared.

Table 13
Policy Benchmarks for District's Direct and Overall Debt[1]
(As of June 30, 2014)

Debt Burden Ratio	Benchmark	Benchmark's Value	LAUSD Actual[2]
Direct Debt to Assessed Value	Moody's Median for Aa Rated School Districts With Student Population Above 200,000	1.24%	2.17%
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	1.50%	
Overall Debt to Assessed Valuation	Moody's Median for Aa Rated School Districts With Student Population Above 200,000	3.24%	3.84%
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	3.20%	
Direct Debt Per Capita	Standard & Poor's Median for AA Rated School Districts With Student Population Above 150,000	$736	$2,346
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	$847	
Overall Debt Per Capita	Standard & Poor's Median for AA Rated School Districts With Student Population Above 150,000	$1,665	$4,163
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	$2,639	

1 Benchmarks pulled from Moody's 2013 US Local Government Medians Demonstrate Stability of Sector article on August 21, 2014 and Standard and Poor's Public Finance Criteria: Ratios and GO Credit Ratings from April 23, 2003.
2 The District's Comprehensive Annual Financial Report ("CAFR") reports these figures differently by adjusting outstanding bonds and COPs for amounts held in sinking funds and redemption accounts.

APPENDIX 1-A

Los Angeles Unified School District
General Obligation Bond Issuance and True Interest Cost[1]
As of June 30, 2014

Continued on the Following Page

Bond Issue	Date of Issue	Principal Amount Issued ($000s)	Outstanding Principal ($000s)	True Interest Cost (%)
Proposition BB Series A	7/22/97	$356,000	$33,980	5.19%
Proposition BB Series B	8/25/98	350,000	0	4.99%
Proposition BB Series C	8/10/99	300,000	0	5.18%
Proposition BB Series D	8/03/00	386,655	0	5.37%
Proposition BB Series E	4/11/02	500,000	0	5.09%
Proposition BB Series F	3/13/03	507,345	0	4.43%
Measure K Series A	3/05/03	2,100,000	0	4.75%
Measure K Series B	2/22/07	500,000	273,925	4.31%
Measure K Series C	8/16/07	150,000	71,255	4.86%
Measure K Series D	2/19/09	250,000	221,890	4.82%
Measure R Series A (5 year maturity)	9/23/04	72,630	0	2.28%
Measure R Series B (5 year maturity)	9/23/04	60,475	0	2.24%
Measure R Series C	9/23/04	50,000	1,690	4.33%
Measure R Series D	9/23/04	16,895	0	4.33%
Measure R, Series E	8/10/05	400,000	23,465	4.36%
Measure R, Series F	2/16/06	500,000	89,700	4.21%
Measure R, Series G	8/17/06	400,000	53,705	4.55%
Measure R, Series H	8/16/07	550,000	244,780	4.86%
Measure R, Series I	2/19/09	550,000	491,930	4.82%
Measure Y, Series A	2/22/06	56,785	7,990	3.72%
Measure Y, Series B	2/22/06	80,200	17,460	3.85%
Measure Y, Series C	2/22/06	210,000	111,005	4.15%
Measure Y, Series D (taxable)	2/22/06	47,400	7,820	5.18%
Measure Y, Series E	8/16/07	300,000	143,140	4.86%
Measure Y, Series F	2/19/09	150,000	133,520	4.82%
Measure Y, Series G	10/15/09	5,615	0	3.11%
Measure Y, Series H	10/15/09	318,800	318,800	1.60%
Measure Y, Series I	3/04/10	3,795	0	4.57%
Measure Y, Series J-1 (QSCB)	5/06/10	190,195	190,195	0.21%
Measure Y, Series J-2 (QSCB)	5/06/10	100,000	100,000	0.21%
Series KRY (Tax Exempt) (2009)	10/15/09	205,785	106,535	2.53%
Series KRY (BABs) (2009)	10/15/09	1,369,800	1,369,800	3.73%
Series KRY (Tax Exempt) (2010)	3/04/10	478,575	432,865	4.57%
Series RY (BABs) (2010)	3/04/10	1,250,585	1,250,585	4.44%
Series KY (2010)	5/06/10	159,495	120,160	2.46%

[1] Subsequent to the reporting period for this Debt Report, the District issued $135,830,000 General Obligation Bonds on August 19, 2014.

Continued from the Previous Page

Bond Issue	Date of Issue	Principal Amount Issued ($000s)	Outstanding Principal ($000s)	True Interest Cost (%)
2002 General Obligation Refunding Bonds	4/17/02	258,375	137,600	4.94%
2004 General Obligation Refunding Bonds, Series A-1	12/21/04	90,740	115	4.13%
2004 General Obligation Refunding Bonds, Series A-2	12/21/04	128,385	255	4.38%
2005 General Obligation Refunding Bonds, Series A-1	7/20/05	346,750	345,980	4.17%
2005 General Obligation Refunding Bonds, Series A-2	7/20/05	120,925	120,925	4.22%
2006 General Obligation Refunding Bonds, Series A	2/22/06	132,325	0	4.07%
2006 General Obligation Refunding Bonds, Series B	11/15/06	574,905	555,695	4.32%
2007 General Obligation Refunding Bonds, Series A-1	1/31/07	1,153,195	1,126,445	4.41%
2007 General Obligation Refunding Bonds, Series A-2	1/31/07	136,055	136,055	4.41%
2007 General Obligation Refunding Bonds, Series B	2/22/07	24,845	24,650	4.12%
2009 General Obligation Refunding Bonds, Series A	10/15/09	74,765	47,350	2.53%
2010 General Obligation Refunding Bonds, Series A	3/04/10	74,995	55,715	4.57%
2011 General Obligation Refunding Bonds, Series A-1	11/1/11	206,735	202,680	2.75%
2011 General Obligation Refunding Bonds, Series A-2	11/1/11	201,070	197,275	2.71%
2012 General Obligation Refunding Bonds, Series A	5/8/2012	156,000	156,000	2.75%
2014 General Obligation Refunding Bonds, Series A	6/26/14	196,850	196,850	1.49%
2014 General Obligation Refunding Bonds, Series B	6/26/14	323,170	323,170	1.96%
2014 General Obligation Refunding Bonds, Series C	6/26/14	948,795	948,795	2.97%
2014 General Obligation Refunding Bonds, Series D	6/26/14	153,385	153,385	2.60%
	Total	**$18,229,295**	**$10,545,135**	

[1] Subsequent to the reporting period for this Debt Report, the District issued $135,830,000 General Obligation Bonds on August 19, 2014.

APPENDIX 1-B

Los Angeles Unified School District
Outstanding Debt Service Payments on General Obligation Bonds
As of June 30, 2014[1]

Fiscal Year Ending June 30	Election of 1997 (Proposition BB) [2]	Election of 2002 (Measure K) [2, 3]	Election of 2004 (Measure R) [2,3]	Election of 2005 (Measure Y) [2,3]	Aggregate Fiscal Year Debt Service
2015	$ 158,058,587.64	$ 214,722,090.85	$ 211,205,831.97	$ 239,575,845.47	$ 823,562,355.93
2016	160,627,879.89	230,878,041.38	235,936,591.18	222,881,528.11	850,324,040.56
2017	160,252,297.90	235,562,282.74	214,099,703.67	225,128,487.49	835,042,771.80
2018	160,462,455.77	241,383,846.74	216,822,366.16	227,822,353.12	846,491,021.79
2019	160,710,317.92	247,741,640.84	230,571,941.16	244,187,315.62	883,211,215.54
2020	163,722,305.78	259,437,015.48	238,067,441.16	233,035,653.12	894,262,415.54
2021	162,340,306.91	267,743,164.35	236,976,701.16	238,703,434.37	905,763,606.79
2022	167,433,406.25	267,155,421.26	224,130,898.66	242,405,388.12	901,125,114.29
2023	162,775,812.50	288,426,971.26	230,767,061.16	246,245,032.49	928,214,877.41
2024	163,701,625.00	283,487,527.51	226,136,767.41	249,635,094.36	922,961,014.28
2025	141,591,925.00	296,785,246.26	232,445,304.91	253,882,421.86	924,704,898.03
2026	90,814,106.25	303,862,090.01	233,182,798.66	256,257,344.36	884,116,339.28
2027	65,503,525.00	311,278,046.26	239,467,811.41	251,663,878.11	867,913,260.78
2028	24,500,968.75	319,246,296.26	262,702,060.53	291,526,247.76	897,975,573.30
2029	0.00	98,572,127.01	277,497,262.03	255,835,352.53	631,904,741.57
2030	0.00	100,880,330.13	229,572,200.03	318,457,561.05	648,910,091.21
2031	0.00	103,119,353.75	230,162,843.50	326,731,008.35	660,013,205.60
2032	0.00	105,331,487.50	274,849,604.15	293,543,137.60	673,724,229.25
2033	0.00	107,459,427.50	280,201,635.10	295,763,137.75	683,424,200.35
2034	0.00	109,248,855.00	283,087,349.95	297,497,039.30	689,833,244.25
2035	0.00	110,781,725.00	285,204,118.20	298,771,391.65	694,757,234.85
Total	**$1,942,495,520.57**	**$4,503,102,987.08**	**$5,093,088,292.16**	**$5,509,548,652.59**	**$17,048,235,452.40**

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[1] Subsequent to the reporting period for this Debt Report, the District issued $135,830,000 General Obligation Bonds on August 19, 2014.
[2] Includes refunding bonds and excludes refunded bonds with respect to the particular bond authorization.
[3] Includes QSCB Sinking Fund Payments, but does not include BABs or QSCB Subsidies.

APPENDIX 1-C

Los Angeles Unified School District
Debt Service Requirements on General Obligation Bonds Issued in FY2014-15[1]

Fiscal Year Ending June 30	Total FY2014-15 New Bonds Debt Service
2015	$ -
2016	41,312,600.19
2017	46,113,579.10
2018	45,965,201.80
2019	4,591,700.00
2020	3,859,750.00
2021	1,927,800.00
Total	**$143,770,631.09**

1 Subsequent to the reporting period for this Debt Report, the District issued $135,830,000 General Obligation Bonds on August 19, 2014.

APPENDIX 2

Los Angeles Unified School District
Certificates of Participation Lease Obligations Debt Service Schedule[1]
As of June 30, 2014

Fiscal Year Ending	Paid from General Fund[2,3] ($000s)	Paid from Developer Fees[4] ($000s)	Paid from Cafeteria Fund[5] ($000s)[3]	Fiscal Year Total Debt Service ($000s)
06/30/2015	$ 40,815	$ 9,574	$ 4,963	$ 55,353
06/30/2016	38,327	9,574	4,963	52,865
06/30/2017	37,706	9,575	4,963	52,245
06/30/2018	27,080	16,886	4,963	48,929
06/30/2019	25,043	0	4,963	30,007
06/30/2020	24,955	0	2,482	27,436
06/30/2021	24,864	0	0	24,864
06/30/2022	17,532	0	0	17,532
06/30/2023	17,429	0	0	17,429
06/30/2024	16,668	0	0	16,668
06/30/2025	16,048	0	0	16,048
06/30/2026	16,218	0	0	16,218
06/30/2027	16,163	0	0	16,163
06/30/2028	16,112	0	0	16,112
06/30/2029	16,037	0	0	16,037
06/30/2030	14,147	0	0	14,147
06/30/2031	14,073	0	0	14,073
06/30/2032	14,001	0	0	14,001
06/30/2033	2,277	0	0	2,277
06/30/2034	2,222	0	0	2,222
06/30/2035	2,169	0	0	2,169
06/30/2036	2,108	0	0	2,108
Total[6]	**$ 401,995**	**$ 45,610**	**$ 27,299**	**$ 474,904**

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1 The lease payments reflect the net obligations of the District due to the defeasance of certain COPs.

2 The District expects to pay all or a portion of the final debt service payments for certain series of these COPs from funds on deposit in the related debt service reserve fund as required under the legal documents for such series of COPs. The District applied a portion of the proceeds of the Measure Y Series K Bonds to pay a portion of the lease payments due on October 1, 2014 through and including October 1, 2017 with respect to the Certificates of Participation, 2007 Series A (Information Technology Projects).

3 Does not assume receipt of a direct cash subsidy payment from the United States Department of Treasury for certain series of these COPs.

4 Developer fees are used to satisfy debt service payments on a portion of the District's outstanding lease obligations. The General Fund is obligated to pay these obligations in the event that insufficient developer fees are available to pay these lease obligations, subject to the terms of the lease. The District expects to pay a portion of the final debt service for Fiscal Year 2017-18 with a combination of funds from developer fees and funds released from the debt service reserve fund on the maturity date as required under the legal documents for these COPs. To date, such developer fees have been and are expected to continue to be sufficient to date to pay these lease obligations as and when due.

5 The District General Fund is obligated to pay these obligations, subject to the terms of the lease. The District applied a portion of the proceeds of the Measure Y Series K Bonds and unspent project funds to pay the October 1, 2014 debt service payment and prepay on October 1, 2014 all of the remaining District's Certificates of Participation, 2009 Series A (Food Services Projects).

6 Totals may not equal sum of component parts due to rounding.

APPENDIX 3

Los Angeles Unified School District
History of Underlying Fixed Rate Long-Term Ratings

Fiscal Year	General Obligation Bonds Moody's	S&P	Fitch	Certificates of Participation Moody's	S&P	Fitch
1988-89	Aa2	AA	Not rated	A1	A+	Not rated
1990-92	Aa2	AA	AA	A1	A+	A+
1993	A1	AA-	AA	A2	A	A+
1994-95	A1	AA-	AA-	A2	A	A
1996-98	Aa3	AA-	AA-	A2	A	A
1999-2000	Aa3	AA-	AA	A2	A	A+
2001[1]-02	Aa3	AA-	AA	A2	A+	A+
2003	Aa3	AA-	AA-	A2	A+	A
2004-05	Aa3	AA-	A+	A2	A+	A-
2006[2]-08	Aa3	AA-	A+	A2	A+	A
2009[3]	Aa3	AA-	Not rated	A2	A+	Not rated
2010[4]	Aa2	AA-	Not rated	A1	A+	Not rated
2011-14	Aa2	AA-	Not rated	A1	A+	Not rated

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[1] Beginning in 2001, Standard and Poor's began to rate lease obligations only one notch (rather than the previous two notches) lower than the issuer's general obligation bond rating

[2] On July 19, 2006, S&P and Moody's revised the Outlook on all District ratings to Stable; on July 31, 2006, Fitch upgraded the District's COPs rating to A.

[3] The District requested withdrawal of all Fitch Ratings in September, 2009.

[4] Moody's implemented a migration of its rating scale that resulted in the indicated changes to the District's ratings on April 20, 2010.

APPENDIX 4

Los Angeles Unified School District
Statement of Overlapping Debt
As of June 30, 2014

Overlapping Debt Obligations

Set forth on the following page is the report prepared by California Municipal Statistics Inc. which provides information with respect to direct and overlapping debt within the District as of June 30, 2014 (the "Overlapping Debt Report"). The Overlapping Debt Report is included for general information purposes only. The District has not reviewed the Overlapping Debt Report for completeness or accuracy and makes no representations in connection therewith. The Overlapping Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

The first column in the Overlapping Debt Report names each public agency which has outstanding debt as of the date of the report and whose territory overlaps the District in whole or in part. Column 2 shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in Overlapping Debt Report) produces the amount shown in column 3, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

Los Angeles Unified School District
Schedule of Direct and Overlapping Bonded Debt
Year Ended June 30, 2014
(in thousands)
(Unaudited)

Government	Percentage Applicable	Amount Applicable
Direct:		
Los Angeles Unified School District		
General Obligation Bonds[1]	100.000%	$ 11,011,840
Certificates of Participation[1]	100.000	383,237
Capital Leases	100.000	2,162
Children Centers Facilities Revolving Loan	100.000	555
		11,397,794
Overlapping:		
Los Angeles County General Fund Obligations	44.216	811,549
Los Angeles County Superintendent of Schools Certificates of Participation	44.216	4,214
Los Angeles County Flood Control District	45.330	7,924
Metropolitan Water District	22.972	30,386
Los Angeles Community College District	80.558	2,934,373
Pasadena Area Community College District	0.001	1
City of Los Angeles	99.930	991,246
City of Los Angeles General Fund and Judgment Obligations	99.930	1,754,954
Other City General Fund and Pension Obligation Bonds	Various	182,476
Los Angeles County Sanitation District		
Nos. 1, 2, 4, 5, 8, 9, 16 and 23 Authorities	Various	30,215
Los Angeles County Regional Park & Open Space Assessment District	44.216	50,236
City Community Facilities Districts	100.000	108,190
City of Los Angeles Landscaping and Special Tax Assessment District	99.930	18,167
Other City and Special District 1915 Act Bonds	99.899-100.000	22,514
Other Cities	Various	38,164
Palos Verdes Library District	4.746	168
City of Los Angeles Redevelopment Agency	100.000	587,005
Other Redevelopment Agencies	Various	400,541
Total Overlapping		7,972,321
Total Gross Direct and Overlapping Debt		19,370,115 [2]
Less:		
Los Angeles County General Fund Obligations supported by landfill revenues		2,226
Los Angeles Unified School District (amount accumulated in Sinking Fund for repayment of 2005 Qualified Zone Academic Bonds)		5,052
City supported obligations		9,061
Total Net Direct and Overlapping Debt		$ 19,353,776

Source: California Municipal Statistics, Inc. and District records.

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[1] The amount of outstanding bonds and COPs reported above reflect the approach taken in the District's CAFR, where outstanding bonds and COPs include amounts held in sinking funds and redemption accounts.

[2] Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds, and nonbonded capital lease obligations.