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Los Angeles, California: Fitch New Issue Report

Key Rating Drivers Strong Security Resilience: Pledged revenues are resilient to cyclical revenue declines. Even assuming leverage to 2.0x, maximum annual debt service (MADS) coverage from the current 8.2x, the structure can easily absorb a revenue decline expected to result from a moderate recession scenario. The strong resilience assessment also considers the city's ability to raise the fee to the level needed to cover debt service and operational costs. Stagnant Natural Revenue Growth Prospects: The prospects for natural revenue growth (absent fee increases) are limited to new residential property development within the largely built-out city. There is no ratepayer concentration risk. Capped at City's IDR: Fitch does not assume that the SWR fee and other pledged revenues would be considered special revenues in the unlikely event the city declared bankruptcy. Therefore, Fitch caps the rating at the city's IDR of 'AA'/Outlook Stable.

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