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Stellar Credit Ratings Lead to Millions in Taxpayer Savings

Saving taxpayers millions of dollars in interest payments, Los Angeles County achieved its highest long-term credit ratings in a decade, thanks to an upgrade by Moody's this week.

Moody's joined Fitch and S&P, the Big Three credit rating agencies, in deeming the County to be very creditworthy and unlikely to default on its financial obligations. In upgrading the County's rating from Aa2 to Aa1, Moody's cited its "strong and stable financial position" and "strong management team that has positioned the County well to address ongoing challenges," among other factors.

Treasurer and Tax Collector Joseph Kelly estimates every upgrade in the County's long-term credit rating can slash interest and debt service payments on a \$100 million loan by as much as \$3 million over a 30-year period.

The Big Three also assigned the highest short-term rating to the County's \$800 million Tax and Revenue Anticipation Note (TRAN) issuance, which will finance current operations before tax revenues are received.

"Excellent credit ratings mean lower interest payments, saving the County millions of dollars that can instead be used to pay for critically needed public services," said Board of Supervisors Chairman Mark Ridley-Thomas. "It also validates the County's prudent, disciplined and conservative fiscal management with long-term strategic planning over the last several years."

The credit ratings upgrade came after Board Chairman Ridley-Thomas, along with the County's Chief Executive Officer Sachi Hamai, Auditor-Controller John Naimo, and Treasurer and Tax Collector Joseph Kelly met with representatives of the Big Three in New York late last month. Health Agency Director Mitch Katz, M.D. participated by teleconference.

They discussed the County's efforts to build reserves, pre-fund long-term liabilities, and stabilize the Department of Health Services during a time of uncertainty over the fate of the Affordable Care Act. They also noted the County successfully went to voters seeking ongoing revenue for combatting homeless, which constitutes a threat to the solvency of the County with respect to the drain on resources associated with law enforcement and emergency health services.

The County, which has a budget of approximately \$30 billion, has a track record of fiscally responsible practices, which allowed it to weather the Great Recession without substantial service cutbacks or any layoffs.

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