Los Angeles Unified School District
Debt Report
Fiscal Year 2008-09

Megan K. Reilly
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April 13, 2010

LOS ANGELES UNIFIED SCHOOL DISTRICT

Office of the Chief Financial Officer

RAMON C. CORTINES
Superintendent of Schools

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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 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 Bonds and at least $7.4 billion of State matching funds and other sources. 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" in the narrow California Constitution definition.

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 taxes that are levied and collected by the County of Los Angeles and that are not under the control of the District. The District's taxpayers have shown strong commitment to the District's capital program by approving five General 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

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

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 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 targets and ceilings.

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 portray the debt burden borne by our taxpayers and serve as proxies for the capacity taxpayers have to take on additional debt in the future. 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 complete 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 of the District. The District's current General Obligation Bond ratings are Aa3 by Moody's Investors Service and AA- by Standard & Poor's high quality investment grade status. The ratings assigned to all General Obligation Bonds and COPs associated with the District affect interest payments and the cost to District taxpayers and the General Fund, as applicable. In addition, the fiscal health of the State can further affect the District's interest costs. The recent deterioration of the State's credit quality and the massive amount of debt it needs to issue in the future to fund voter approved bond projects has resulted in increased credit spreads for agencies of the State, including the District, even though such agencies may have maintained their own credit quality. 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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PREFACE

The Chief Financial Officer must submit a Debt Report to the Board of Education and Superintendent annually in accordance with the requirement of the District's Debt Management Policy. The following list identifies the information to be included and its location in the Debt Report:

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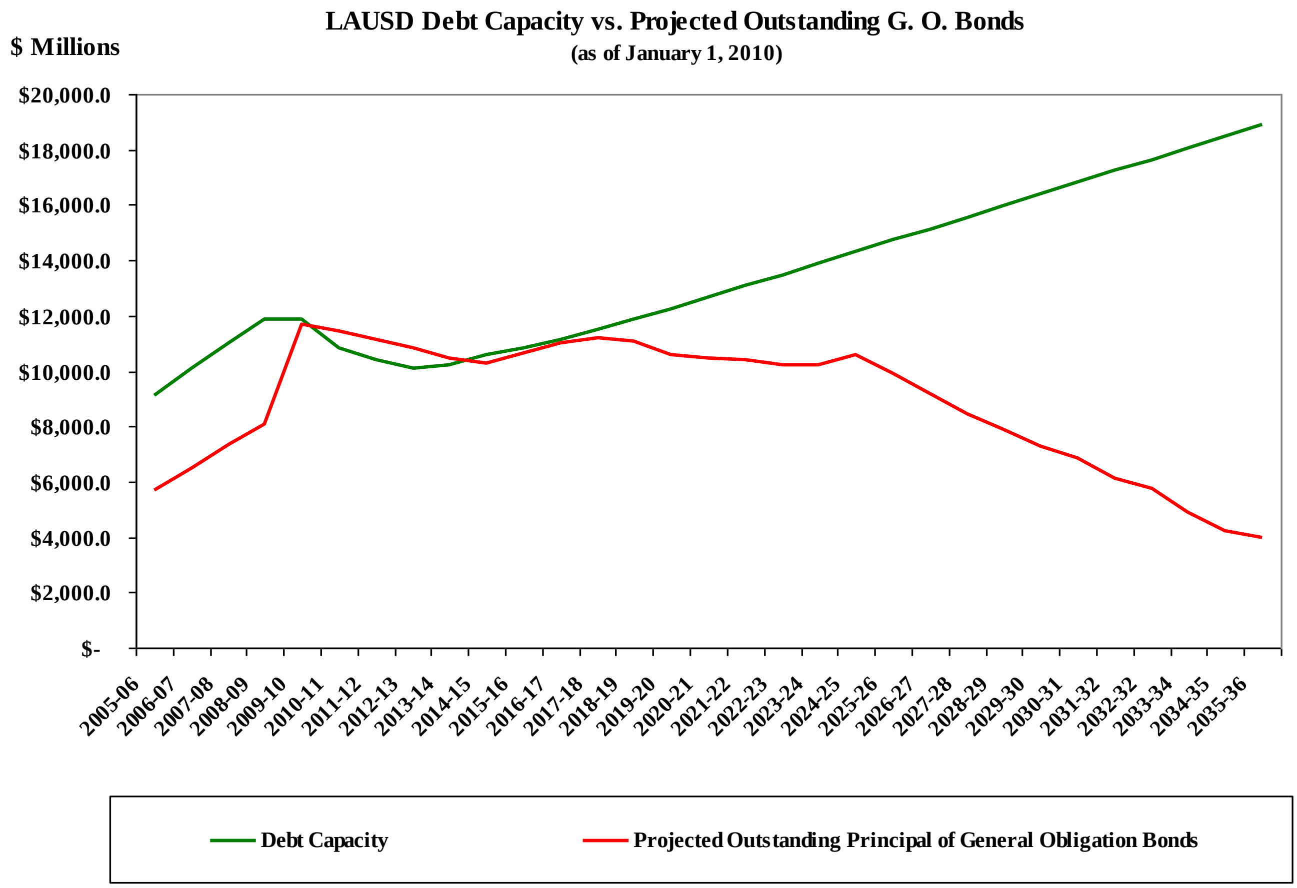
SECTION I: GENERAL OBLIGATION BOND DEBT

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 2008-09, total assessed valuation in the District was $474.8 billion, resulting in a bonded debt limitation of $11.87 billion. Table 1 presents the District's maximum debt limit versus current outstanding debt. The difference is the "Legal Debt Margin." Chart 1 shows that the Legal Debt Margin (i.e., the distance between the red and green lines) is expected to be absorbed in Fiscal Year 2009-10. An anticipated decline in assessed valuation will constrain issuance of new general obligation bonds until the assessed valuation base starts to recover and/or outstanding general obligation bonds mature.

Chart 1



In addition to the District's debt issuance pattern, the Legal Debt Margin is greatly affected by assessed valuation growth in the District, which is depicted in Chart 2. Assessed valuation typically grows at the maximum 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 annual growth in assessed valuation averaged 6.51% over the last 30 years (including 0.04% growth from 2008-09 to 2009-10) and averaged a somewhat higher 7.50% over the past 5 years. However, significant weakness in the current housing and commercial market may negatively affect near-term assessed valuation growth. The District contracted with an econometrics consulting firm in May 2009 to provide projections of the District's assessed valuation. The baseline projection is for assessed valuation to decline by about 16% over the next four years and for it to return to the Fiscal Year 2008-09 level in about 10 years.

Chart 2

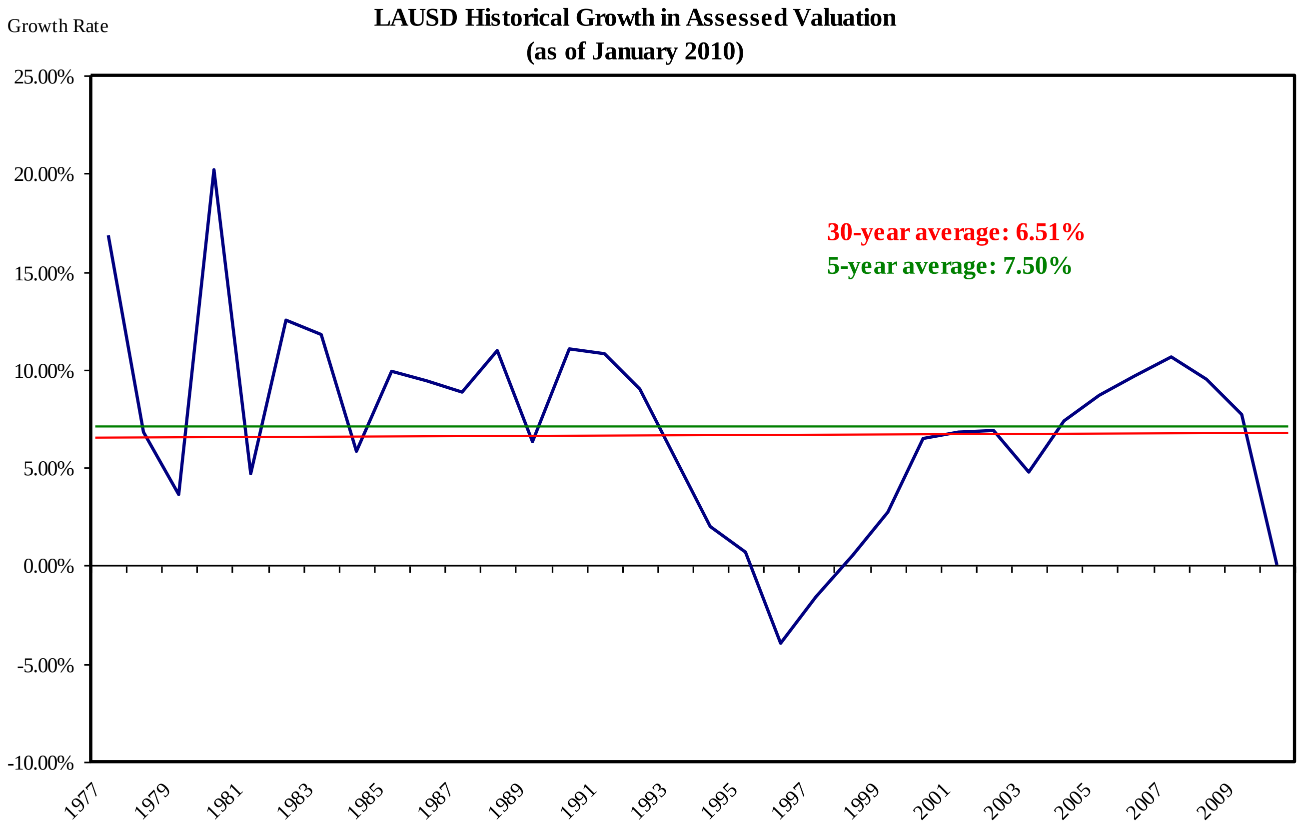


Table 1
Bonded Debt Limitation and Legal Debt Margin, Fiscal Year 2008-09
(in $000s)

Total Assessed Valuation	$447,789,798
Bonded Debt Limitation (2.5% times Assessed Valuation)	$11,869,744
Less: Outstanding General Obligation Bonds[1]	(8,046,220)
Plus: Amounts Available in Bond Interest and Redemption Fund to Pay Principal	489,380
Equals: Legal Debt Margin[1]	**$4,312,904**

[1] The District's Comprehensive Annual Financial Report ("CAFR") reports these figures differently by adjusting them for unamortized bond premiums and discounts.

B. Bonds Outstanding and Bonds Authorized But Unissued

As of June 30, 2009, the District had a total of $8.05 billion of outstanding voter authorized General Obligation Bonds, a detailed listing of which is shown in Table 2 and the debt service requirements for which can be found in Appendix 1.

Table 2
General Obligation Bond Issuance and True Interest Cost
(as of June 30, 2009[1])

Bond Issue	Date of Issue	Principal Amount Issued ($000s)	Outstanding Principal ($000s)	True Interest Cost (%)
Proposition BB Series A	7/22/97	$356,000	$103,125	5.19%
Proposition BB Series B	8/25/98	350,000	13,180	4.99%
Proposition BB Series C	8/10/99	300,000	19,755	5.18%
Proposition BB Series D	8/3/00	386,655	23,555	5.37%
Proposition BB Series E	4/11/02	500,000	93,435	5.09%
Proposition BB Series F	3/13/03	507,345	322,205	4.43%
Measure K Series A	3/5/03	2,100,000	486,295	4.79%
Measure K Series B	2/22/07	500,000	488,020	4.31%
Measure K Series C	8/16/07	150,000	145,675	4.86%
Measure K Series D	2/19/09	250,000	250,000	4.82%
Measure R Series A (5 year maturity)	9/23/04	72,630	19,505	2.28%
Measure R Series B (5 year maturity)	9/23/04	60,475	13,135	2.24%
Measure R Series C	9/23/04	50,000	44,615	4.33%
Measure R Series D	9/23/04	16,895	4,410	4.33%
Measure R, Series E	8/10/05	400,000	348,460	4.36%
Measure R, Series F	2/16/06	500,000	475,925	4.21%
Measure R, Series G	8/17/06	400,000	368,880	4.55%
Measure R, Series H	8/16/07	550,000	529,975	4.86%
Measure R, Series I	2/19/09	550,000	550,000	4.82%
Measure Y, Series A	2/22/06	56,785	51,460	3.72%
Measure Y, Series B	2/22/06	80,200	68,130	3.85%
Measure Y, Series C	2/22/06	210,000	202,450	4.15%
Measure Y, Series D (taxable)	2/22/06	47,400	43,975	5.18%
Measure Y, Series E	8/16/07	300,000	291,925	4.86%
Measure Y, Series F	2/19/09	150,000	150,000	4.82%
2002 General Obligation Refunding Bonds	4/17/02	258,375	254,085	4.94%
2004 General Obligation Refunding Bonds A-1	12/21/04	90,740	90,465	4.13%
2004 General Obligation Refunding Bonds A-2	12/21/04	128,385	127,760	4.38%
2005 General Obligation Ref. Bonds, A-1	7/20/05	346,750	346,750	4.17%
2005 General Obligation Ref. Bonds, A-2	7/20/05	120,925	120,925	4.22%
2006 General Obligation Ref. Bonds, Series A	2/22/06	132,325	132,325	4.07%
2006 General Obligation Ref. Bonds, Series B	11/15/06	574,905	561,955	4.32%
2007 General Obligation Ref. Bonds, Series A-1	1/31/07	1,153,195	1,143,160	4.41%
2007 General Obligation Ref. Bonds, Series A-2	1/31/07	136,055	136,055	4.41%
2007 General Obligation Ref. Bonds, Series B	2/22/07	24,845	24,650	4.12%
	Total	***$11,810,885***	***$8,046,220***	

[1] Excludes the issuance of $205.785 million of Series KRY (2009) Tax-Exempt bonds, $1,370 million of Series KRY (2009) Federally Taxable Build America Bonds, $5.415 million of Measure Y, Series G (2009), $74.765 million of 2009 Refunding Bonds, Series A. and $318.8 million Measure Y, Series H (2009) Tax Credit Bonds on October 15, 2009.; excludes $478.6 million of Series KRY (2010) Tax-Exempt bonds, $1,250.585 million of Series RY (2010) Federally Taxable Build America Bonds, $3.795 million of Measure Y, Series I (2010) and $74.995 million of 2010 Refunding Bonds, Series A expected to be issued on March 4, 2010. These bonds were issued subsequent to the reporting period of this Debt Report.

The District had a total of $11.76 billion of authorized but unissued General Obligation Bonds as of June 30, 2009. Table 3 presents overall highlights of the District's authorized but unissued bonds and Chart 3 in the next subsection depicts actual and projected issuance of bonds[1].

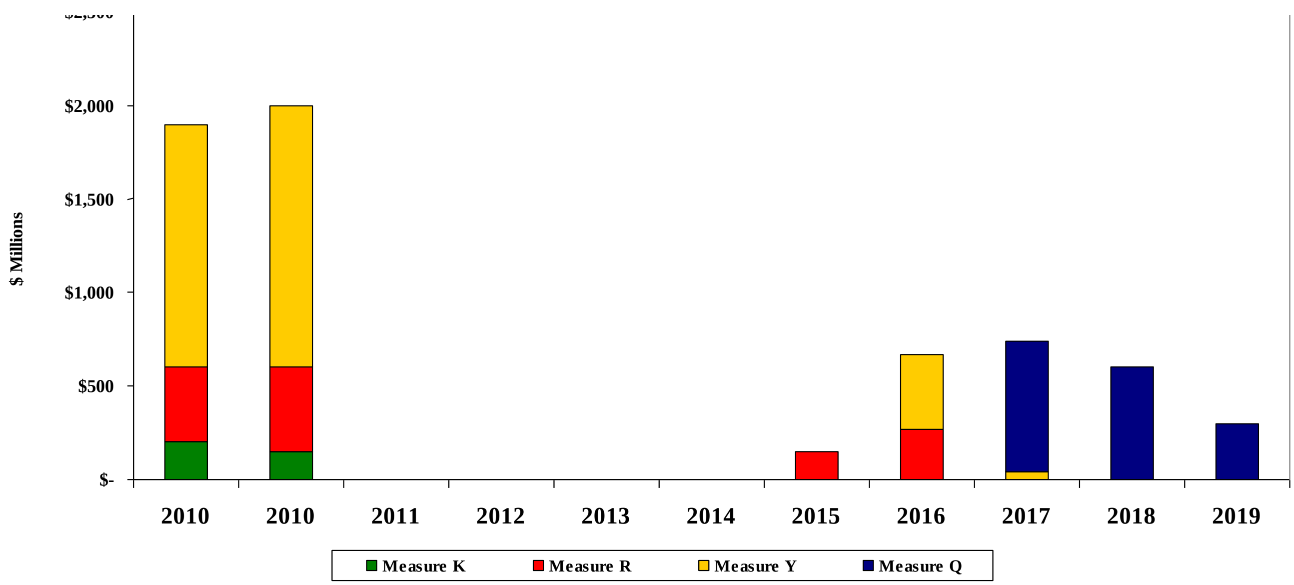
Table 3
Authorized but Unissued General Obligation Bonds as of June 30, 2009
($ Thousands)

	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	3,000,000	2,600,000	844,385	0
Authorized but Unissued	$0	350,000	1,270,000	3,140,615	$7,000,000

C. Intended Issuances of Bonds

Intended issuances are based on actual spending patterns and expenditure projections prepared by the Facilities Services Division and other departments and are subject to change. Generally, the District expects a pause in issuance after Fiscal Year 2009-10 before resuming issuance in Fiscal Year 2014-15. Projections of the intended issuances of General Obligation Bonds for each bond authorization through FY 2018-19 are presented in Chart 3[2], with details for the next two fiscal years shown in Table 4.

Chart 3
Estimated Issuance Patterns of Remaining
Bonds through Fiscal Year 2018-19
(As of February 18, 2010)



[1] Chart 3 and Table 4 reflect actual sales of bonds and refunding bonds February 18, 2010, subsequent to the June 30, 2009 reporting period of this Debt Report.

Table 4
Intended Issuances of Bonds
Fiscal Years 2009-10 and 2010-11
($ Thousands)

	FY 2009-10	FY 2010-11	Total
Measure K	$350,000	$0	$350,000
Measure R	1,034,795	0	1,034,795
Measure Y	2,700,000	0	2,700,000
Measure Q	0	0	0
Refunding Bonds	149,760	0	149,760
Total General Obligation Bonds	$4,234,555	$0	$4,234,555

The District's actual issuance of $4,234.6 million of new money General Obligation Bonds in Fiscal Year 2009-10 is expected to increase General Obligation Bond debt service by $238 million in Fiscal Year 2010-11. A detailed schedule of the projected annual payments on these obligations can be found in Appendix 2.

The Chief Financial Officer regularly monitors market conditions for refunding opportunities that, pursuant to the Debt Management Policy, will produce at least 3% net present value savings for each maturity of bonds refunded. Table 5 provides a summary of the savings from refundings through June 30, 2009. The Chief Financial Officer estimates that these refundings will save taxpayers approximately $181.3 million, which equates to saving about $45.03 per $100,000 of assessed valuation over the term of the bonds.

Table 5
Refunding Savings
(as of June 30, 2009)

Refunding Bond Issue	Amount Refunded[1] ($ millions)	Term of the Refunding Bonds	Savings ($ millions)	Annual Savings	Annual Savings per $100,000 AV[2]	Total Savings per $100,000 AV[3]
2002	$262.730	17 years	$12.8	$752,941	$0.19	$ 3.18
2004 A-1 & A-2	215.680	18 years	10.6	588,889	0.15	2.63
2005 A-1 & A-2	484.950	20 years	38.4	1,920,000	0.48	9.54
2006 A	131.935	13 years	6.3	484,615	0.12	1.56
2006 B	561.375	21 years	29.3	1,395,238	0.35	7.28
2007 A-1 & A-2	1,250.320	21 years	82.1	3,909,524	0.97	20.39
2007 B	25.790	12 years	1.8	150,000	0.04	0.45
Total[4]	$2,933.780		$181.3	$9,201,207	$2.29	$45.03

Memoranda:

1 The principal amount of refunded bonds typically does not equal the principal amount of refunding bonds.

2 Calculated based upon assessed valuation of $402.6 billion for Fiscal Year 2006-07, the last fiscal year in which refunding bonds were issued.

3 Figure represents the marginal effect of the refunding savings only; the tax levy is also affected by the interest rates on each issue of bonds relative to what was assumed at the time of each bond election, by the actual issuance pattern of bonds and by assessed valuation growth, i.e. higher assessed valuation growth also reduces the levy per $100,000 AV.

4 The table excludes $74.765 million of refunding bonds issued on October 15, 2009 and $74.995 million of refunding bonds expected to be issued on March 4, 2010, subsequent to the reporting period for this Debt Report. The total savings from these refundings were $4.3 million.

D. Tax Rate Performance on Outstanding Bonds

The respective Tax Rate Statements for each of the District's five General Obligation Bond authorizations set forth the following specific estimated tax rates to be paid by District taxpayers to service the debt on the outstanding General Obligation Bonds for the particular authorization:

(1) The estimated tax rate in the fiscal year following issuance of the first series of bonds;

(2) The estimated maximum tax rate and the fiscal year in which the maximum tax rate occurs;

(3) The estimated tax rate in the fiscal year following the issuance of the last series of bonds; and

(4) The estimated average tax rate over the term of all issued bonds.

The tax rates and fiscal years estimated in the respective Tax Rate Statements are not technically binding on the District, as actual issuance patterns, actual interest rates and the growth pattern of the assessed valuation base combine to determine 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. A discussion of the particular tax rates disclosed to taxpayers in each Tax Rate Statement and the District's actual tax rate performance are provided below.

D.1. **Proposition BB Tax Rates**. Prior to the Proposition BB election on April 8, 1997, assessed valuation growth in the District had weakened due to an economic recession triggered by contraction in the defense industry in the early 1990s. In fact, actual assessed valuation growth was negative at the time of the election, as shown in Chart 2 earlier. Therefore, the District used a very conservative assumption for average annual assessed valuation growth (2%) relative to historical averages in structuring the tax rate model; the District also used a conservative estimate of 5.75% for the assumed interest rate on bonds to be issued over time (see Section III.B.1. for a discussion of interest rate trends).

Table 6 below provides the District's projected tax rates for the Proposition BB bond program at the time of the Proposition BB election and the District's latest updated projections. Actual and projected tax rate performance has generally been better than expected due to a combination of interest cost on issued bonds being less than assumed and actual growth in assessed valuation being on average higher than assumed. The District's updated projections show, for example, that the average tax rate over the term of all issued bonds will be approximately $33.55 per $100,000 of assessed valuation, which is $6.74 lower than the originally estimated $40.29 per $100,000 of assessed valuation at the time of the election. In addition to producing excellent tax rate performance, the District was also able to accelerate issuance of Proposition BB bonds such that the final series of bonds was issued in Fiscal Year 2002-03, five years earlier than originally projected. This has benefited District taxpayers by delivering much needed school construction and modernization projects ahead of schedule at reduced taxpayer cost.

Table 6
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/Projected[1]
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) Actual
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) Actual
Estimated tax rate in the fiscal year following the issuance of the last series of bonds	$67.46 (in FY 2010-11)	$50.55 (in FY 2004-05) Actual
Estimated average tax rate over the term of all issued bonds	$40.29	$33.55

D.2. Measure K Tax Rates. Measures K, R ,Y and Q were each approved pursuant to Proposition 39 which, among other things, requires a unified district such as LAUSD to represent at the time of each issuance that the tax rate for each separate Proposition 39 authorization will not exceed $60 per $100,000 of assessed valuation in any given year that bonds are outstanding. When developing the tax rate model for the November 5, 2002 Measure K bond election, the District was mindful of this requirement and structured the expected bond issuance accordingly. In addition, owing to a resumption of assessed valuation growth as the local economy recovered from the defense cutbacks of the 1990s, the District assumed that average annual assessed valuation growth would be 3.90%, higher than what was assumed in the Proposition BB tax rate model but still a very conservative assumption relative to historical trends. The assumed interest rate on bonds to be issued was 5.50%, lower than what was assumed in the Proposition BB tax rate model but still a conservative assumption relative to interest rate trends (see Section III.B.1. for a discussion of interest rate trends).

Table 7 below provides the District's projected tax rates for the Measure K bond program at the time of the Measure K election and the District's updated projections. Actual and projected tax rate performance has been better than expected due to a combination of interest cost on issued bonds being less than assumed, the issuance pattern of bonds being slower than assumed and estimated growth in assessed valuation being higher than assumed. The District's updated projections show, for example, that the average tax rate over the term of all issued bonds will be approximately $41.21 per $100,000 of assessed valuation, which is $11.78 lower than the originally estimated $52.99 per $100,000 of assessed valuation at the time of the election. Also, the tax rate is not expected to ever exceed the $60 per $100,000 Proposition 39 limitation.

[1] The projections in the Proposition BB tax rate model use Fiscal Year 2009-10 as the base year for the assessed valuation data and the actual debt service for all bonds issued as of October 15, 2009. There are no remaining unissued Proposition BB bonds.

One of the reasons that issuance of Measure K bonds has been slower than assumed is that the District was able to secure more State matching funds in the early part of the 2000 decade than originally projected and, thus, hasn't needed to issue Measure K bonds as quickly. In addition, the large first issuance of Measure K bonds in 2003 provided $2.1 billion of bond proceeds and afforded the District more time between bond issuances.

Table 7
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/Projected[1]
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) Actual
Estimated maximum tax rate and the year in which the maximum tax rate occurs	$60.00 (in FY 2004-05)	$56.01 (in FY 2013-14)
Estimated tax rate in the fiscal year following the issuance of the last series of bonds	$59.06 (in FY 2006-07)	$51.58 (in FY 2010-11)
Estimated average tax rate over the term of all issued bonds	$52.99	$41.21

D.3. Measure R Tax Rates. When developing the tax rate model for the March 2, 2004 Measure R bond election, the District was mindful of the $60 per $100,000 of assessed valuation limitation under Proposition 39 and structured the expected bond issuance accordingly. In addition, the District assumed that annual assessed valuation growth would be 5.0%, higher than what was assumed in the Proposition BB and Measure K tax rate models but still a conservative assumption relative to historical trends. The assumed interest rate on bonds to be issued was 5.25%, lower than what was assumed in the Proposition BB and Measure K tax rate models but still a conservative assumption relative to interest rate trends (see Section III.B.1. for a discussion of interest rate trends).

Table 8 below provides the District's projected tax rates for the Measure R bond program at the time of the Measure R election and the District's updated projections. Actual and projected tax rate performance has been slightly worse than expected due an accelerated issuance schedule that maximizes the amount of proceeds available to finish most Measure R projects before anticipated assessed valuation declines result in lack of bonding capacity. This strategy also enables the District to keep Measure R projects on track despite the State's decision to freeze distribution of State matching funds owing to the State's fiscal crisis. Measure R's primary focus is new construction, with the District committed to its goal of returning all District schools to a traditional two semester calendar by the end of 2012.

[1] The projections in the Measure K tax rate model use Fiscal Year 2009-10 as the base year for the assessed valuation data and the actual debt service for all bonds issued as of October 15, 2009. The debt service on future issuances of Measure K bonds is estimated in the model.

The District's updated projections show, for example, that the average tax rate over the term of all issued bonds will be approximately $36.79 per $100,000 of assessed valuation, which is $3.53 higher than the originally estimated $33.26 per $100,000 of assessed valuation at the time of the election. The tax rate is not expected to ever exceed the $60 per $100,000 Proposition 39 limitation.

The District issued its first Measure R bonds in Fiscal Year 2004-05. Of the $200 million issued, $150 million was applied toward defeasance of outstanding COPs, thereby providing $156 million of debt service savings to the District's General Fund (see Section II. A. for further details). The COPs had been previously issued by the District to fund critical infrastructure projects identical to the type of projects on the Measure R project list. With removal of the COPs debt service from the General Fund, more general resources are available to support the educational initiatives of the District.

Table 8
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[1]
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)	$56.20 (in FY 2017-18)
Estimated tax rate in the fiscal year following the issuance of the last series of bonds	$58.65 (in FY 2012-13)	$54.91 (in FY 2016-17)
Estimated average tax rate over the term of all issued bonds	$33.26	$36.79

D.4. Measure Y Tax Rates. When developing the tax rate model for the November 8, 2005 Measure Y bond election, the District was mindful of the $60 per $100,000 of assessed valuation limitation under Proposition 39 and structured the estimated bond issuance accordingly. In addition, the District assumed that average annual assessed valuation growth would be 6.0%, a conservative assumption relative to historical trends. The assumed interest rate on bonds to be issued was 5.25%, the same as in the Measure R tax rate model.

[1] The projections in the Measure R tax rate model use Fiscal Year 2009-10 as the base year for the assessed valuation data and the actual debt service for all bonds issued as of October 15, 2009. The debt service on future issuances of Measure R bonds is estimated in the model.

Table 9 below provides the District's projected tax rates for the Measure Y bond program at the time of the Measure Y election and the District's updated projections. Actual and projected tax rate performance has been somewhat worse than expected due to an accelerated issuance schedule that maximizes the amount of proceeds available to finish most Measure Y projects before anticipated assessed valuation declines result in lack of bonding capacity. This strategy also enables the District to keep Measure Y projects on track despite the State's decision to freeze distribution of State matching funds owing to the State's fiscal crisis. Measure Y's primary focus is new construction, with the District committed to its goal of returning all District schools to a traditional two semester calendar by the end of 2012.

The District's updated projections show, for example, that the average tax rate over the term of all issued bonds will be approximately $35.97 per $100,000 of assessed valuation, which is $8.25 higher than the originally estimated $27.54 per $100,000 of assessed valuation at the time of the election. The tax rate is not expected to ever exceed the $60 per $100,000 Proposition 39 limitation.

The District issued its first Measure Y bonds in Fiscal Year 2005-06. Of the $394.4 million issued, $184.4 million was applied toward defeasance of or sinking fund payments for outstanding COPs, thereby providing $223.4 million of debt service savings to the District's General Fund (see Section II.A. for further details). The COPs had been previously issued by the District to fund critical infrastructure projects identical to the type of projects on the Measure Y project list. With removal of the COPs debt service from the General Fund, more general resources are available to support the educational initiatives of the District.

Table 9
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[1]
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)	$60.00 (in FY 2012-13)
Estimated tax rate in the fiscal year following the issuance of the last series of bonds	$57.05 (in FY 2013-14)	$44.71 (in FY 2017-18)
Estimated average tax rate over the term of all issued bonds	$26.71	$35.79

D.5. Measure Q Tax Rates. When developing the tax rate model for the November 4, 2008 Measure Q bond election, the District was mindful of the $60 per $100,000 of assessed valuation limitation under Proposition 39 and structured the estimated bond issuance accordingly. In addition, the District assumed that average annual assessed valuation growth would be lower than 6% and tax

[1] The projections in the Measure Y tax rate model use Fiscal Year 2009-10 as the base year for the assessed valuation data and the actual debt service for all bonds issued as of October 15, 2009. The debt service on future issuances of Measure Y bonds is estimated in the model.

delinquencies higher through Fiscal Year 2012-13, reflecting the possibility of a weak economy. The long-run assumed rate of assessed valuation was 6%. The assumed interest rate on bonds to be issued was 5.25%, the same as in the Measures R and Y tax rate models.

The District currently anticipates a pause in issuance of general obligation bonds after Fiscal Year 2009-10 due to an expected reduction in assessed valuation and, hence, bonded debt capacity. The Measure Q program is on hold pending a turnaround in assessed valuation. The District will report its expected tax rates for Measure Q once the program begins in about 4 – 5 years.

SECTION II: CERTIFICATES OF PARTICIPATION DEBT

A. COPs Outstanding

The District has issued COPs over the years to fund a variety of capital projects including the construction of two medical magnet high schools, the acquisition of portable classrooms for class size reduction and relief of overcrowding, the acquisition of buses, the matching of federal funds for the E-Rate computer program, the acquisition and implementation of major information technology systems, and the construction of adult education facilities. Debt service on COPs that were issued to fund projects related to enrollment growth or relief of overcrowding is paid from developer fees that are levied when new housing creates a need for additional seats for students; should developer fees be insufficient to pay debt service on these COPs, the debt service will be paid from General Fund sources. Debt service on COPs that were issued to fund cafeteria projects is paid from Cafeteria Fund sources; should such sources be insufficient to pay debt service on these COPs, the debt service will be paid from General Fund sources. Debt service on all other existing COPs is paid from General Fund sources.

Tables 10 and 11 provide listings of outstanding COPs in fixed rate mode and variable rate mode, respectively. As of June 30, 2009, a total of $440.4 million of COPs were outstanding. The debt service requirements on outstanding COPs can be found in Appendix 3.

In seeking to achieve the benefits of a diversified debt portfolio, the District has periodically issued variable rate COPs[1]. In Fiscal Year 2008-09, the Debt Management Policy (which appears in Appendix 5) permitted issuance of variable rate COPs so long as the total unhedged amount in that mode does not exceed 20% of outstanding COPs or $100 million, whichever is less. The maximum amount of unhedged variable rate COPs would thus be $87.1 million (20% of outstanding COPs). Given the District's average General Fund unrestricted cash balance (net of TRANs) of $439.8 million in Fiscal Year 2008-09 and that cash is a natural hedge, the District believes its interest rate exposure on the $165.4 million of variable rate COPs to be 100% hedged.

[1] It is currently impractical for school districts in California to issue variable rate General Obligation Bonds, so the District's variable rate portfolio is comprised solely of COPs.

Table 10
Fixed-Rate Certificates of Participation Issuance and True Interest Cost
(as of June 30, 2009; excludes matured and/or refunded issues)[1]

Issue Description	Date of Issue	Principal Amount Issued ($000s)	Principal Outstanding (as of June 30, 2009) ($000s)	True Interest Cost (%)
Refunding COPs (Multiple Properties Project), Series 1998A[2]	06/10/98	$60,805.0	$23,960.0	4.76%
COPs (Qualified Zone Academy Bonds), Series 2000A (taxable) [3]	05/23/00	30,446.7	30,446.7	N/A
COPs (Multiple Properties Project), 2000 Series B[4]	10/04/00	172,715.0	2,165.0	4.24%
COPs (Administration Building Project I), 2001 Series B	11/06/01	68,890.0	68,890.0	4.88%
COPs (Administration Building Project II), 2002 Series C	12/19/02	9,490.0	8,335.0	4.77%
COPs (Multiple Properties Project), 2003 Series B	06/26/03	31,620.0	27,405.0	4.11%
COPs (Refinancing Project I and Refunding Project I), 2004 Series A	07/28/04	50,700.0	12,740.0	3.46%
COPs (Qualified Zone Academy Bonds) Series 2005 (taxable) [3]	12/01/05	10,000.0	10,000.0	N/A
COPs (Information Technology Projects), 2007 Series A	11/15/07	99,660.0	91,020.0	3.83%
	TOTAL	***534,326.7***	***$274,961.70***	

Table 11
Variable-Rate Certificates of Participation Issuance
(as of June 30, 2009)

Issue Description	Date of Issue	Principal Amount Issued ($000s)	Principal Outstanding (June 30, 2009)
COPs (Belmont Learning Complex), 1997 Series A[2]	12/09/97	$91,400	$50,000
Refunding COPs (Administration Building Project), 2008 Series A	8/6/08	97,530	92,780
COPs (Administration Building Project III), 2008 Series B	8/6/08	23,420	22,610
	TOTAL	***$212,350***	***$165,390***

[1] This table excludes the $70 million 2010 Series A Refunding COPs issued on January 27, 2010, subsequent to the reporting period for this Debt Report.

[2] These COPs were refunded on January 27, 2010 by the 2010 Series A Refunding COPs whose debt service will be paid from developer fees.

[3] The Series 2000A and 2005 COPs do not carry interest payments; instead, the purchaser receives a tax credit. A portion of the 2000A COPs has been economically defeased and three years of a portion of base rental payments has been set aside, such that the net amount due as of June 30, 2009 was $7,611,675 $3.8 million of the 2000A COPs were issued to fund projects at two charter schools; these schools provide their pro-rata share of base rental payments on the COPs annually. The guaranteed investment agreement ("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. The District may need to contribute more funds to redeem the 2005 Qualified Zone Academy Bonds, depending upon the amount of ongoing investment returns.

[4] These COPs will be paid from developer fees.

The District significantly reduced the portion of COPs paid from General Fund sources in Fiscal Years 2004-05 and 2005-06 when proceeds from Measure R and Measure Y bonds were used to defease $143.42 million and $183.7 million of COPs principal, respectively. Chart 4 shows the total General Fund COPs debt service prior to the Measure R and Y defeasances. Chart 5 shows the resulting significant decline in General Fund COPs debt service due to the defeasance of these COPs versus the debt service level prior to defeasance. The COPs defeasance resulted in nearly $500 million of savings to the General Fund through Fiscal Year 2024-25. Chart 6 shows COPs debt service as of Fiscal Year 2008-09. Debt service payments from the General Fund total $564.8 million through the final maturity of the COPs.

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Chart 4

Los Angeles Unified School District COPs Debt Service
(At Beginning of FY 2004-05)

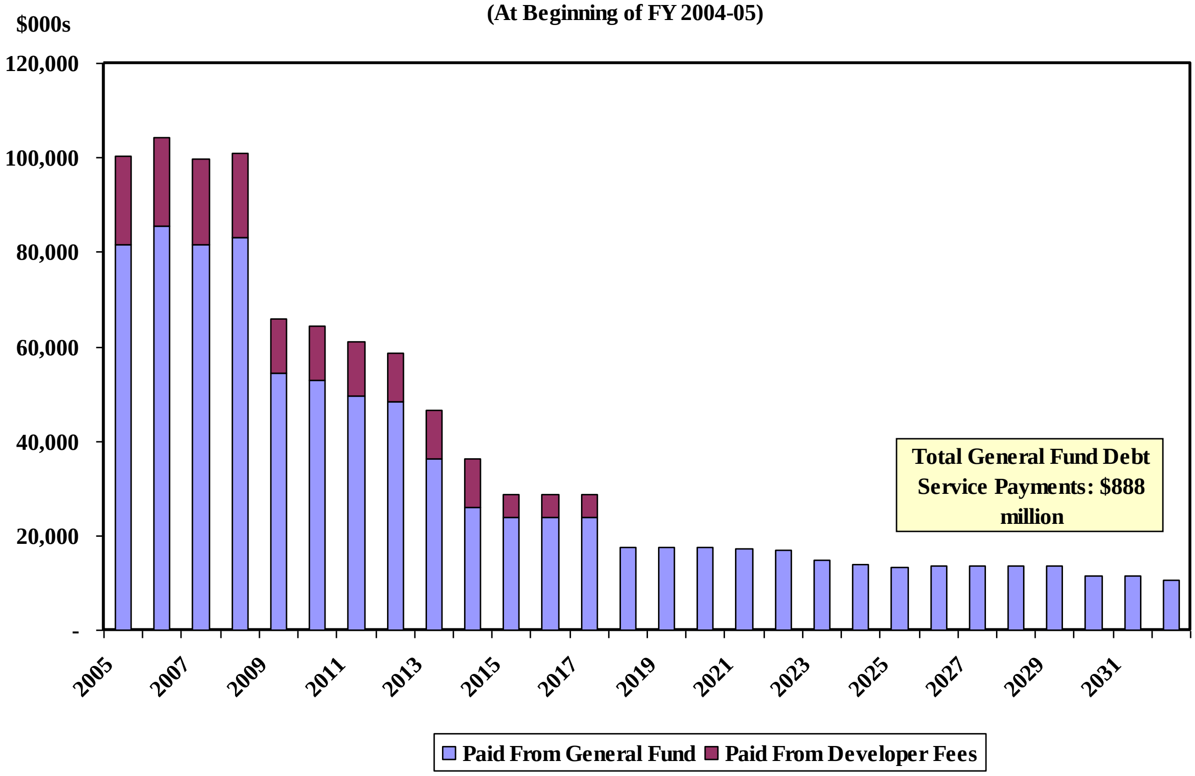


Chart 5

Los Angeles Unified School District COPs Debt Service
(After COPs Defeasance from Measures R (in 2004) and Y (in 2006))

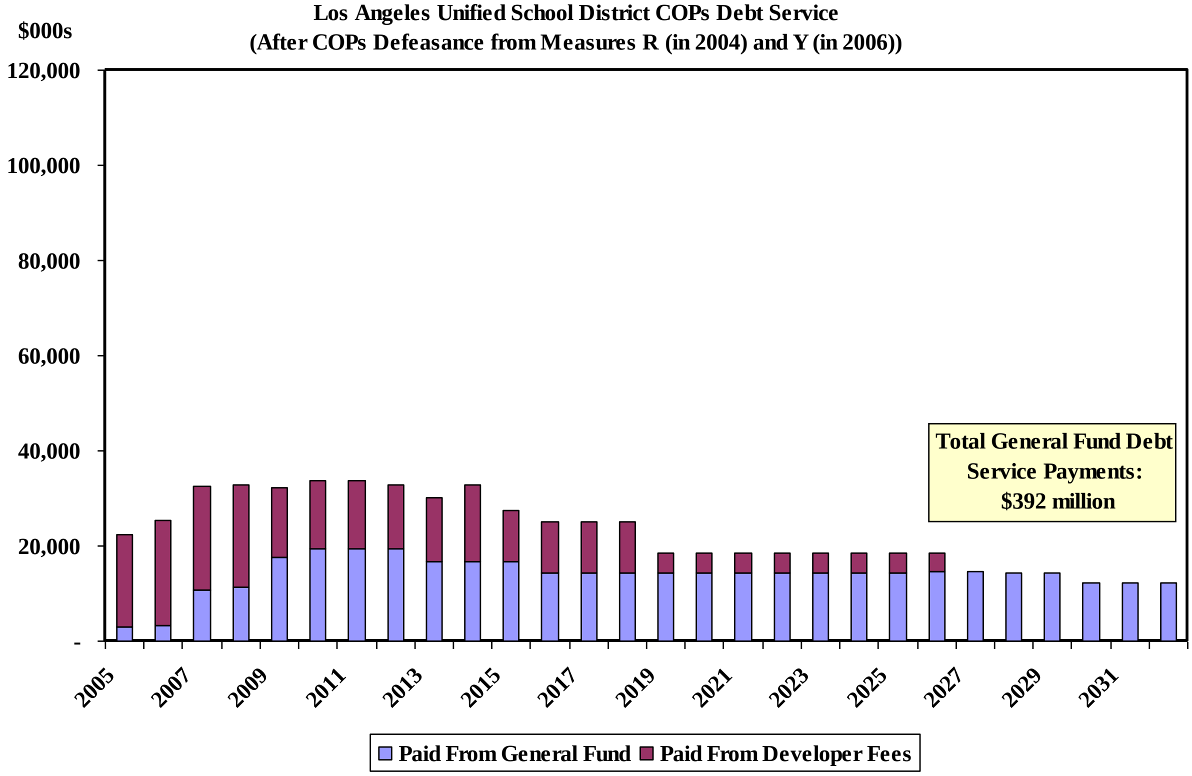
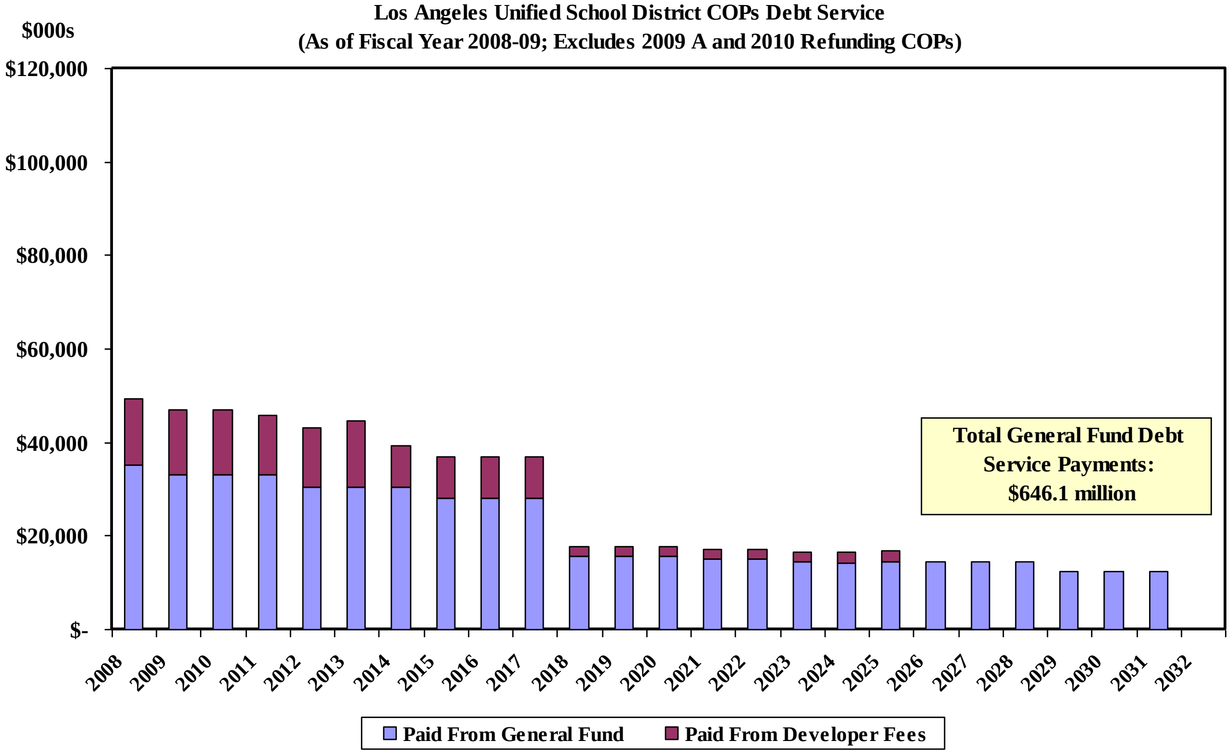


Chart 6



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 insurance companies, bond funds, investment bank portfolios, trust departments, investment advisors, individual investors, and money market funds. Each of these market participants may exhibit differing 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 all of these investor groups. The table to the right is a listing of the largest institutional holders of the District's bonds.

Top 25 Institutional Holders of LAUSD Bonds

Rank	Firm Name	$ Thousands
1	AIG Global Investment Group Inc	$ 612,760
2	Vanguard Group Inc, The	401,840
3	Franklin Templeton Investments	293,565
4	BlackRock	198,202
5	Guggenheim Partners Asset Management Inc	148,870
6	Multiple Managing Firms	134,195
7	Nuveen Asset Management Inc	97,880
8	AllianceBernstein LP	67,075
9	Deutsche Asset Management	61,099
10	Hartford Investment Management Co	50,420
11	JPMorgan Asset Management	36,837
12	Chubb Corp, The	35,645
13	PMI Mortgage Insurance Co	35,325
14	Fidelity Management & Research Co	32,240
15	Liberty Mutual Insurance Co	31,100
16	State Farm Insurance Companies	26,040
17	Babson Capital Management LLC	25,000
18	Berkley Dean & Co Inc	17,200
19	Standish Mellon Asset Management Co LLC	17,062
20	American Century Investment Management Inc	16,000
21	GE Asset Management Inc	13,350
22	FGIC Advisors, Inc	12,230
23	Delaware Investments	11,546
24	Pacific Investment Management Co LLC	11,075
25	Asset Allocation & Management Co LLC	8,840
	Total	**$2,395,396**

The borrowing cost that the District pays its investors is a function of the District's credit ratings, market interest rate levels, anticipated Federal Reserve policy actions and, most importantly, the investment community's perception of and demand for the District's credit. Investors demand rates of return on their investments commensurate with 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, a vast local economy, significant access to voter-approved tax levies, and a 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. During recent years, however, investor perception of California debt weakened due to the State's credit deterioration, investor concerns over the magnitude of the State's budget shortfalls, massive issuance of energy-crisis and economic recovery bonds by the State and massive anticipated debt issuance in the future. During this period, the State's credit was downgraded by the three major rating agencies to the lowest level of any state. The State's borrowing costs rose accordingly as did interest costs for issuers 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.

The impact of the State's "penalty" on LAUSD was not as great as the penalty on the State itself, reflecting the District's ability to maintain its high ratings. However, the State's ratings are still well below the triple-A level enjoyed by the State when its fiscal health was much stronger and, as a result, California issuers such as the District may continue to have to pay interest costs at higher spreads to national names than would have otherwise been the case.

In addition to dealing with interest rate impacts stemming from the State's fiscal problems, the District has also been affected by the national and global financial crisis that resulted in a total freeze of capital markets in September 2008. Preceding the market freeze, major bond insurers were steadily downgraded from their coveted triple-A ratings, a situation that caused tremendous volatility in the market. The short-term sector of the market was particularly hard hit, especially the auction rate market and the variable rate demand obligation ("VRDO") market. One of the downgraded bond insurers was Ambac, the insurer on the District's 2005A VRDO COPs and 2005B VRDO COPs; a second downgraded insurer was Financial Security Assurance, the insurer on the 2005C VRDO COPs. None of the District's fixed rate debt service or debt service on other VRDOs were affected by the downgrades of bond insurers, some of whom (Ambac, FGIC, MBIA, FSA and XL) insured certain General Obligation Bond and/or COPs issues.

The weekly interest rate resets for the 2005A, 2005B and 2005C COPs were above market rates during the period when Ambac and FSA were being downgraded, so the District quickly took steps to remedy the situation. The 2005A and 2005B COPs were refunded with the 2008A and 2008B COPs that are VRDOs with a letter of credit from Bank of America. The weekly resets on the 2008A and 2008B COPs have been at market levels. The full amount of funds necessary to defease the 2005C COPs were placed in an escrow that prepaid these COPs on May 11, 2009.

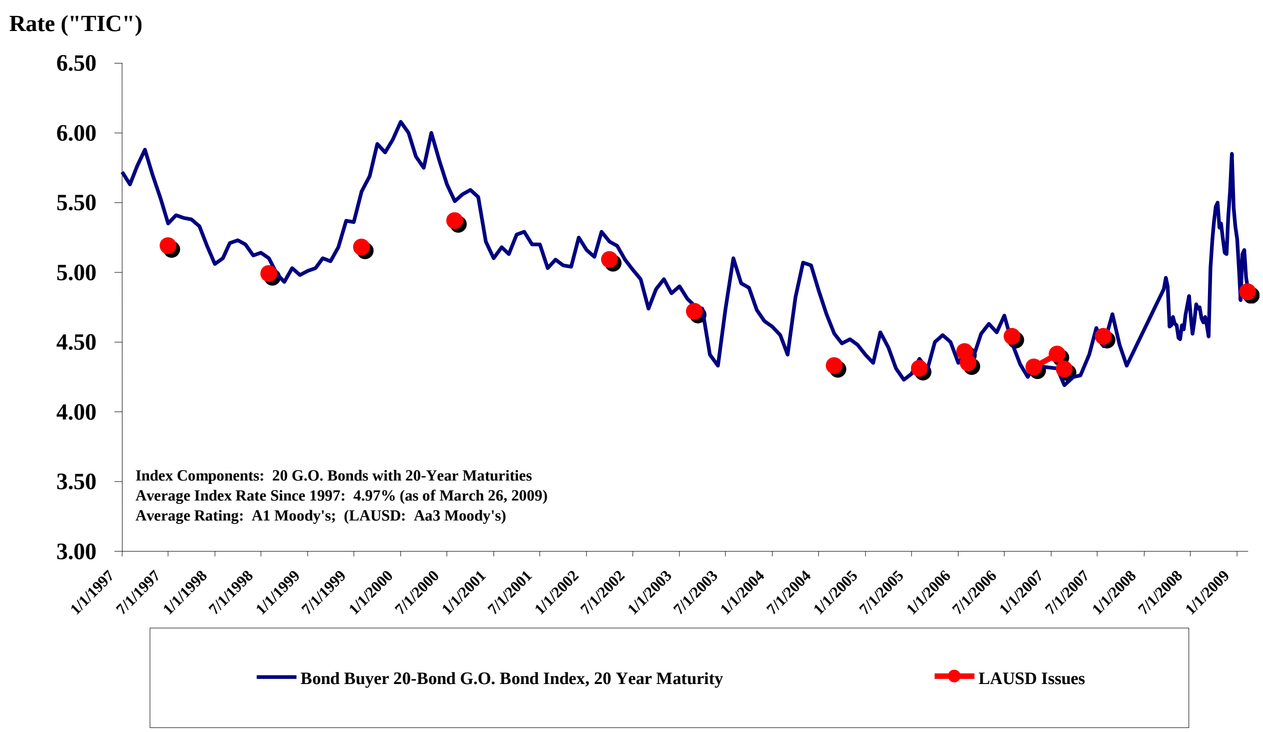
The fixed rate sector of the municipal market was also affected by the financial crisis. The District had intended to sell $950 million of general obligation bonds in the fall of 2008 but placed the transaction on the sidelines until market conditions were more receptive. The District was able to sell the bonds in February 2009 in what was the largest bond sale in California since the prior June. As of this writing, issuers with strong credit ratings are able to access the market at reasonable cost whereas some lower rated credits have difficulty accessing the market. With hedge funds, tender option bond programs and arbitrage accounts no longer the predominant investors in the market, traditional investors such as retail investors, bond funds, insurance companies and other institutional investors now provide the bulk of liquidity in the market. These investors have a strong preference for highly rated issues.

B. Cost of the District's Fixed Rate and Variable Rate Debt

B.1. Fixed Rate Debt. All of the District's General Obligation Bond issues and many of its 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, as shown in Chart 7 below. 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 Bond Buyer 20-Bond Index; however, yields on the District's issues tend to be below the index. A listing of the TICs for each series of 25-year General Obligation Bond was provided earlier in Table 2 and in Table 10 for the District's fixed-rate COPs.

Chart 7

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



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 tax levies. Thus, with the vast majority of the District's debt necessarily being issued as fixed rate bonds, the District has looked to its COPs issuance program to achieve debt portfolio diversification in the form of variable rate COPs. The District had three series of variable rate COPs outstanding as of June 30, 2009, as summarized earlier in Table 11. The interest rates on these COPs vary with the movement of interest rates at the short end of the yield curve, which has generally resulted in low interest expense due to historically low interest rates in the recent market.

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 Aa3 and AA- respectively. The District requested withdrawal of all of its Fitch ratings in September, 2009.

The District has requested ratings from only Moody's and S&P since 2006. The District's General Obligation Bond ratings are generally "high quality investment grade" ratings as shown in Chart 8. Moody's and S&P currently rate the District's COPs in the "upper medium grade" category as A2 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.

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

Chart 8
Credit Ratings on Recent Debt Issuances
(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

[(1)] S&P rates COPs one notch lower than general obligation bonds, whereas Moody's rates COPs two notches lower than general obligation bonds.

upgrade nor a downgrade is anticipated to occur. Each of the two agencies has assigned an outlook of "Stable" for 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, however, that the District's 5% reserve is comprised of both restricted and unrestricted balances, whereas the average unrestricted balance is about 9% for unified school districts in California. A history of the District's General Obligation Bond and COPs ratings is presented in Appendix 4.

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

The District issued tax and revenue anticipation notes ("TRANs") from Fiscal Year 1983-84 through Fiscal Year 1986-87 and each fiscal year since Fiscal Year 1991-92 to finance periodic cash flow deficits. The District has always received the highest possible short-term ratings from Moody's (MIG 1) and S&P (SP-1+) on its TRANs. As of the date of this Debt Report, the District has $750 million outstanding 2009-10 TRANs that mature on August 12, 2010.

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.

- 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 for the District but the District provides estimates of its population, which 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. No such conversions were recommended in Fiscal Year 2008-09.

The District's ratios and benchmark targets are provided below in Table 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 debt service to be no more than 2 – 2 ½ % of General Funds Expenditures. In addition, the Board imposed an even more restrictive COPs 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 District Resources (COPs)
(As of June 30, 2009)

Factor	Benchmark/Target	Ceiling	LAUSD Actual	Over(Under) Policy Ceiling
Maximum COPs Gross Debt Service Limit (percentage)	2% of General Funds Expenditures (FY 2008-09)	2.5% of General Funds Expenditures	0.7%	(1.8%)
Maximum COPs Gross Debt Service Limit ($ million)	Not applicable	$105.0	$46.3	($58.7)
Unhedged Variable Rate Debt as % of Total COPs Debt		20.0%	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 below 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
(As of June 30, 2009)

Debt Burden Ratio	Benchmark	Benchmark's Value	LAUSD Actual[1]
Direct Debt to Assessed Value	Moody's Median for Aa Rated School Districts With Student Population Above 200,000	1.10%	1.77%
	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	2.60%	3.18%
	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	$1,742
	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	$3,133
	Standard & Poor's Mean for AA Rated School Districts With Student Population Above 150,000	$2,639	

[1] The District's Comprehensive Annual Financial Report ("CAFR") reports these figures differently by adjusting outstanding bonds and COPs for unamortized bond premiums and discounts.

APPENDIX 1

Los Angeles Unified School District
Debt Service Payments on Outstanding General Obligation Bonds

APPENDIX 1

LOS ANGELES UNIFIED SCHOOL DISTRICT
General Obligation Bonds, Semi-Annual Debt Service
(As of June 30, 2009)

Payment Date	**Election of 1997** (Proposition BB) Series A-F and Refundings 1	**Election of 2002** (Measure K) Series A-D and Refundings 1	**Election of 2004** (Measure R) Series A-I	**Election of 2005** (Measure Y) Series A-F	**AGGREGATE** Semi-annual Debt Service	**AGGREGATE** Fiscal Year Total Debt Service
7/1/2009	122,165,097.76	110,327,662.79	141,423,158.34	66,405,791.09	440,321,709.98	
1/1/2010	46,038,233.30	70,443,449.84	59,038,607.51	19,551,511.26	195,071,801.91	635,393,511.89
7/1/2010	123,160,443.81	118,473,739.33	110,341,732.51	64,473,573.76	416,449,489.41	
1/1/2011	44,162,458.99	67,644,376.02	54,114,608.76	17,410,361.26	183,331,805.03	599,781,294.44
7/1/2011	124,225,842.46	126,285,992.55	115,329,608.76	63,175,361.26	429,016,805.03	
1/1/2012	42,134,136.32	66,345,363.69	52,822,265.01	16,311,055.01	177,612,820.03	606,629,625.06
7/1/2012	125,942,736.00	132,806,764.01	116,672,265.01	64,236,055.01	439,657,820.03	
1/1/2013	39,997,491.83	64,784,201.93	51,489,896.26	15,163,292.51	171,434,882.53	611,092,702.56
7/1/2013	128,858,329.33	139,643,364.43	118,044,896.26	53,693,292.51	440,239,882.53	
1/1/2014	37,588,940.08	63,168,086.18	50,013,621.26	14,250,786.25	165,021,433.77	605,261,316.30
7/1/2014	131,314,993.78	146,872,032.48	141,763,621.26	46,615,786.25	466,566,433.77	
1/1/2015	35,030,835.25	61,186,876.01	47,810,477.51	13,415,467.50	157,443,656.27	624,010,090.04
7/1/2015	133,986,148.40	154,776,562.86	121,850,477.51	34,495,467.50	445,108,656.27	
1/1/2016	32,388,621.49	58,903,538.52	46,032,622.51	12,899,237.50	150,224,020.02	595,332,676.29
7/1/2016	136,412,168.95	161,384,991.06	111,837,622.51	35,004,237.50	444,639,020.02	
1/1/2017	29,631,256.45	56,480,632.93	44,441,081.88	12,379,121.88	142,932,093.14	587,571,113.16
7/1/2017	139,019,844.20	171,347,045.18	113,506,081.88	35,519,121.88	459,392,093.14	
1/1/2018	26,777,669.07	53,719,464.06	42,738,463.13	11,833,196.88	135,068,793.14	594,460,886.28
7/1/2018	142,664,679.10	181,617,454.03	127,128,463.13	36,068,196.88	487,478,793.14	
1/1/2019	23,748,431.32	50,539,064.31	40,651,641.25	11,270,746.88	126,209,883.76	613,688,676.90
7/1/2019	145,768,923.94	195,033,571.69	129,286,641.25	36,625,746.88	506,714,883.76	
1/1/2020	20,752,786.84	47,018,921.29	38,437,891.25	10,647,271.88	116,856,871.26	623,571,755.02
7/1/2020	148,854,290.66	207,452,417.47	131,557,891.25	37,247,271.88	525,111,871.26	
1/1/2021	17,589,658.75	43,043,733.75	36,126,213.75	10,015,778.13	106,775,384.38	631,887,255.64
7/1/2021	157,384,658.75	220,213,733.75	133,926,213.75	37,870,778.13	549,395,384.38	
1/1/2022	14,139,225.00	38,616,503.75	33,701,828.75	9,329,975.63	95,787,533.13	645,182,917.51
7/1/2022	154,394,225.00	236,551,503.75	136,431,828.75	38,554,975.63	565,932,533.13	
1/1/2023	10,699,525.00	34,068,073.75	31,115,966.25	8,609,672.50	84,493,237.50	650,425,770.63
7/1/2023	158,564,525.00	236,458,073.75	139,095,966.25	38,209,672.50	572,328,237.50	
1/1/2024	7,083,350.00	29,398,261.25	28,396,648.75	7,867,662.50	72,745,922.50	645,074,160.00
7/1/2024	139,608,350.00	254,548,261.25	141,891,648.75	38,952,662.50	575,000,922.50	
1/1/2025	3,933,606.25	24,276,411.25	25,566,818.75	7,088,000.00	60,864,836.25	635,865,758.75
7/1/2025	88,878,606.25	267,466,411.25	144,796,818.75	39,243,000.00	540,384,836.25	
1/1/2026	1,935,500.00	18,726,736.25	22,593,100.00	6,279,340.00	49,534,676.25	589,919,512.50
7/1/2026	44,375,500.00	280,901,736.25	147,833,100.00	40,059,340.00	513,169,676.25	
1/1/2027	21,128,025.00	12,759,448.75	19,497,493.75	5,438,462.50	58,823,430.00	571,993,106.25
7/1/2027	12,419,581.25	176,949,448.75	151,017,493.75	40,888,462.50	381,274,986.25	
1/1/2028	12,081,387.50	124,469,036.25	16,238,468.75	4,555,975.00	157,344,867.50	538,619,853.75
7/1/2028	-	56,574,792.50	154,363,468.75	41,775,975.00	252,714,236.25	
1/1/2029	-	5,200,670.00	12,813,518.75	3,649,587.50	21,663,776.25	274,378,012.50
7/1/2029	-	57,775,670.00	157,878,518.75	41,514,587.50	257,168,776.25	
1/1/2030	-	3,949,307.50	9,216,437.50	2,724,687.50	15,890,432.50	273,059,208.75
7/1/2030	-	59,024,307.50	158,276,437.50	42,434,687.50	259,735,432.50	
1/1/2031	-	2,645,915.00	5,489,937.50	1,754,693.75	9,890,546.25	269,625,978.75
7/1/2031	-	60,320,915.00	99,109,937.50	29,694,693.75	189,125,546.25	
1/1/2032	-	1,281,110.00	3,149,750.00	1,080,031.25	5,510,891.25	194,636,437.50
7/1/2032	-	26,811,110.00	74,054,750.00	30,365,031.25	131,230,891.25	
1/1/2033		636,492.50	1,377,125.00	372,875.00	2,386,492.50	133,617,383.75
7/1/2033		16,991,492.50	37,497,125.00	10,152,875.00	64,641,492.50	
1/1/2034		8,816,250.00	19,439,125.00	5,263,375.00	33,518,750.00	98,160,242.50
	$ 2,824,840,083.08	$ 4,804,730,978.91	$ 3,947,229,376.00	$ 1,272,438,808.73	$ 12,849,239,246.72	$ 12,849,239,246.72

APPENDIX 2

Los Angeles Unified School District
Debt Service Requirements on Intended Sales
of Authorized but Unissued Bonds

APPENDIX 2

LOS ANGELES UNIFIED SCHOOL DISTRICT

Estimated Debt Service Requirements on Intended Sales
of Authorized by Unissued Bonds during
Fiscal Years 2009-10 and 2010-11

Fiscal Year Ending June 30,	FY 2009-10 GO Sales Debt Service	FY 2010-11 GO Sales Debt Service	Total All New Bonds Debt Service
2011	238,020,205	-	238,020,205
2012	252,333,343	-	252,333,343
2013	247,752,393	-	247,752,393
2014	256,510,362	-	256,510,362
2015	252,354,305	-	252,354,305
2016	262,121,980	-	262,121,980
2017	259,745,943	-	259,745,943
2018	265,220,493	-	265,220,493
2019	283,952,214	-	283,952,214
2020	280,446,492	-	280,446,492
2021	285,081,630	-	285,081,630
2022	275,927,099	-	275,927,099
2023	286,376,490	-	286,376,490
2024	286,796,233	-	286,796,233
2025	297,370,780	-	297,370,780
2026	301,010,299	-	301,010,299
2027	302,722,210	-	302,722,210
2028	328,591,786	-	328,591,786
2029	362,896,179	-	362,896,179
2030	380,357,757	-	380,357,757
2031	395,460,852	-	395,460,852
2032	480,303,917	-	480,303,917
2033	549,806,817	-	549,806,817
2034	591,673,002	-	591,673,002
2035	694,757,235	-	694,757,235
	$8,417,590,015	$ -	$ 8,417,590,015

APPENDIX 3

Los Angeles Unified School District
Debt Service Payments on Outstanding Certificates of Participation

APPENDIX 3

Los Angeles Unified School District
Certificates of Participation Lease Obligations
Gross Debt Service[1]
As of June 30, 2009 ($ in thousands)

Fiscal Year Ending 30-Jun	Paid from General Fund[3]	Paid from Developer Fees[4]	Total
2009	35,145,376	14,269,370	$49,414,746
2010	33,130,420	13,915,717	47,046,137
2011	33,103,725	13,918,289	47,022,014
2012	33,093,941	12,782,679	45,876,620
2013	30,514,243	12,766,404	43,280,646
2014	30,504,907	14,196,424	44,701,331
2015	30,490,523	8,879,433	39,369,956
2016	28,072,210	8,844,073	36,916,283
2017	28,060,607	8,795,714	36,856,321
2018	28,046,985	8,842,245	36,889,230
2019	15,590,010	2,215,524	17,805,534
2020	15,593,996	2,218,652	17,812,648
2021	15,586,629	2,212,787	17,799,417
2022	15,047,582	2,211,106	17,258,688
2023	15,038,556	2,212,368	17,250,924
2024	14,401,062	2,211,902	16,612,964
2025	14,331,319	2,208,562	16,539,881
2026	14,580,690	2,198,602	16,779,292
2027	14,570,241	0	14,570,241
2028	14,558,879		14,558,879
2029	14,539,540		14,539,540
2030	12,416,360		12,416,360
2031	12,399,745		12,399,745
2032	12,392,041		12,392,041
	$511,209,589	$134,899,850	$646,109,439

[1] The District has assumed certain interest rates for the variable rate lease obligations included in the above table.

[2] Subsequent to June 30, 2009, the District refinanced two series of COPs and issued one new series that are not reflected h

[3] Includes the annual base rental payments deposited into the sinking fund for the 2000 QZABs; excludes base rental payments into the sinking fund of the 2005 QZABs, as that issue had been economically defeased. However, the GIC investment for the defeasance was terminated due to a downgrade of the provider. The District may need to deposit additional funds to pay off the 2005 QZABs.

[4] In the event that insufficient developer fees are available to pay the indicated lease obligations, the General Fund would need to pay said obligations.

APPENDIX 4

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

APPENDIX 4

Los Angeles Unified School District
History of Underlying Long-Term Ratings[1,2]

	General Obligation Bonds			Certificates of Participation[1]			
Year	**Moody's**	**S&P**	**Fitch**	**Moody's**		**S&P**	**Fitch**
1988	Aa2	AA	Not rated	A1		A+	Not rated
1989	Aa2	AA	Not rated	A1		A+	Not rated
1990	Aa2	AA	AA	A1		A+	A+
1991	Aa2	AA	AA	A1		A+	A+
1992	Aa2	AA	AA	A1		A+	A+
1993	A1	AA-	AA	A2		A	A+
1994	A1	AA-	AA-	A2		A	A
1995	A1	AA-	AA-	A2		A	A
				Non-abatable	Abatable		
1996[3]	Aa3	AA-	AA-	A1	A2	A	A
1997	Aa3	AA-	AA-	A1	A2	A	A
1998	Aa3	AA-	AA-	A1	A2	A	A
1999	Aa3	AA-	AA	A1	A2	A	A+
2000	Aa3	AA-	AA	A1	A2	A	A+
2001[4]	Aa3	AA-	AA	A1	A2	A+	A+
2002	Aa3	AA-	AA	A1	A2	A+	A+
2003[5]	Aa3	AA-	AA-	A1	A2	A+	A
2004[6]	Aa3	AA-	A+	A1	A2	A+	A-
2005	Aa3	AA-	A+	A1	A2	A+	A-
2006[7]	Aa3	AA-	A+	A1	A2	A+	A
2007	Aa3	AA-	A+	A1	A2	A+	A
2008	Aa3	AA-	A+	A1	A2	A+	A
2009[8]	Aa3	AA-	Not rated	A1	A2	A+	Not rated

1 Table does not include the ratings on the District long-term variable rate COPs; the ratings on those COPs issues reflect the ratings of the credit provider for each transaction.

2 Municipal bond insurance policies were purchased to allow the ratings to be increased to Aaa/AAA/AAA on all or a portion of all fixed-rate issues at the time of issuance from 1993 until February 2009, at which point the credit downgrades of insurers resulted in no benefit of insurance to the District.

3 Beginning in 1996, Moody's began to rate non-abatable leases one notch higher than abatable leases; the other agencies do not make such a distinction. In addition, Moody's replaced their two-notch per tier system (e.g. Aa1, Aa2) with a three notch per tier system (e.g. Aa1, Aa2, Aa3).

4 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.

5 On February 11, 2003, Fitch downgraded the District's ratings by one notch and assigned an Outlook of Stable.

6 On July 8, 2004, Fitch downgraded the District's ratings by one notch and assigned an Outlook of Stable and Moody's assigned an Outlook of Negative to all District ratings. On July 12, 2004, S&P assigned an Outlook of Negative to all District ratings.

7 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.

8 The District requested withdrawal of all Fitch Ratings in September, 2009.

APPENDIX 5

Los Angeles Unified School District
Debt Management Policy