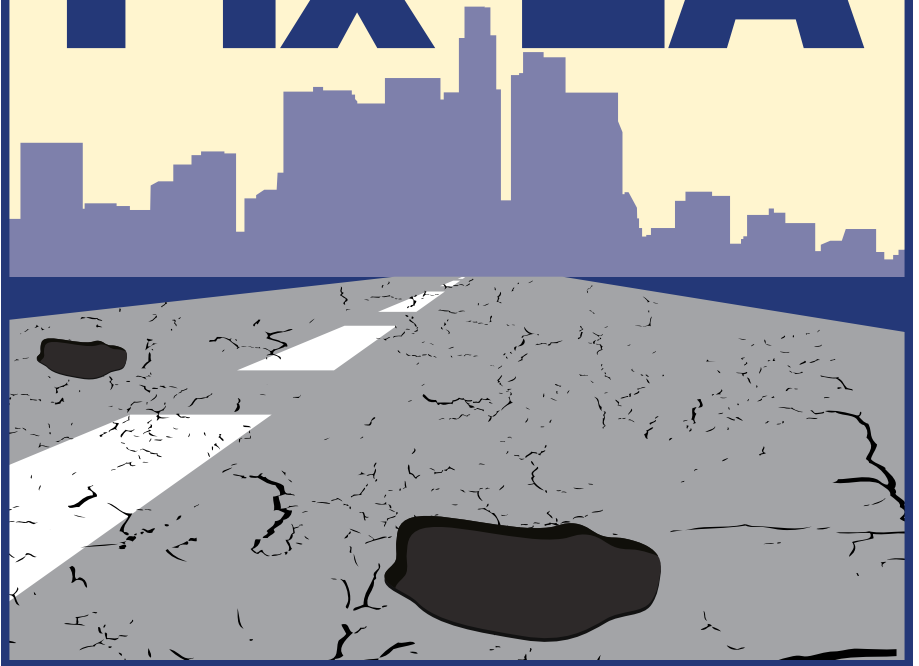


Fix LA



No Small Fees

LA Spends More on Wall St.
Than Our Streets

A Report by the Fix LA Coalition

Updated August 2014

Invest in Our Streets, Not Wall Street



Fix L.A. is a growing coalition of community groups, faith-based organizations and working people who are demanding that Los Angeles City leaders hold Wall Street accountable and restore vital City programs and services that have been cut.

The coalition includes the following organizations:

- ACCE: Alliance of Communities for Community Empowerment
- CHIRLA: Coalition For Humane Immigrant Rights of Los Angeles
- American Federation of Labor and Industrial Congresses (AFL-CIO)
- L.A. UNION
- CARECEN
- INTERNATIONAL UNION OF OPERATING ENGINEERS AND TRAINING ENGINEERS (IUE)
- International Brotherhood of Teamsters
- AFSCME District Council 36
- CLUE LOS ANGELES
- NATIONAL ACTION NETWORK (NAN) - Founded 1991, NO JUSTICE NO PEACE
- LA VOICE PICO
- SCC: Southern Christian Leadership Conference of Southern California
- JLC: Jewish Labor Committee Western Region
- COALITION OF LA CITY UNIONS
- one LA IAF
- KIWA WORKERS FOR JUSTICE
- POWER: People Organized for Westside Renewal
- SAJE: Strategic Actions for a Just Economy
- COMMUNITY COALITION: people, power, progress.
- CHURCHES IN ACTION: Los Angeles, CA
- LIUNA LOCAL 777
- LABOR UNITED for UNIVERSAL HEALTHCARE: LABOR FOR HEALTH CARE - UNITE
- laane: A NEW ECONOMY FOR ALL
- SCOPE: STRATEGIC COMMUNITY AGENDA
- LOCAL 721 SEIU

Executive Summary

When Wall Street recklessly crashed the economy in 2008, it brought a world of hurt onto many people. Wages tumbled. Unemployment soared. Money dried up for financing homes and businesses.

But Wall Street banks and corporations hardly felt the pain. Throughout the recession, Wall Street profited off Los Angeles. Just last year, Wall Street banks made \$290 million in fees at taxpayers' expense.

At the same time, hundreds of millions in cuts have been made to the kinds of critical city services that keep LA neighborhoods healthy, clean and safe. LA stopped or deeply slashed sidewalk and street repairs, speed bump replacement, sewer inspections, alley clearance, vehicle abatement and a whole lot more. Our communities stopped getting what they need to thrive.

Where did the money go?

The amount of money in the overall economy has not diminished. It just wound up concentrated in fewer hands. The rich got richer, and the middle-class and poor got poorer. Big banks and corporations reaped ever greater profits at taxpayers' expense.

Six years after the crash, the challenge Los Angeles faces is how to get more of that money back into circulation to create more jobs and restore the public services that were gutted in the crash's wake.

Los Angeles is not meeting that challenge. In fact, it is heading in the wrong direction—spending more money on Wall Street than on our streets.

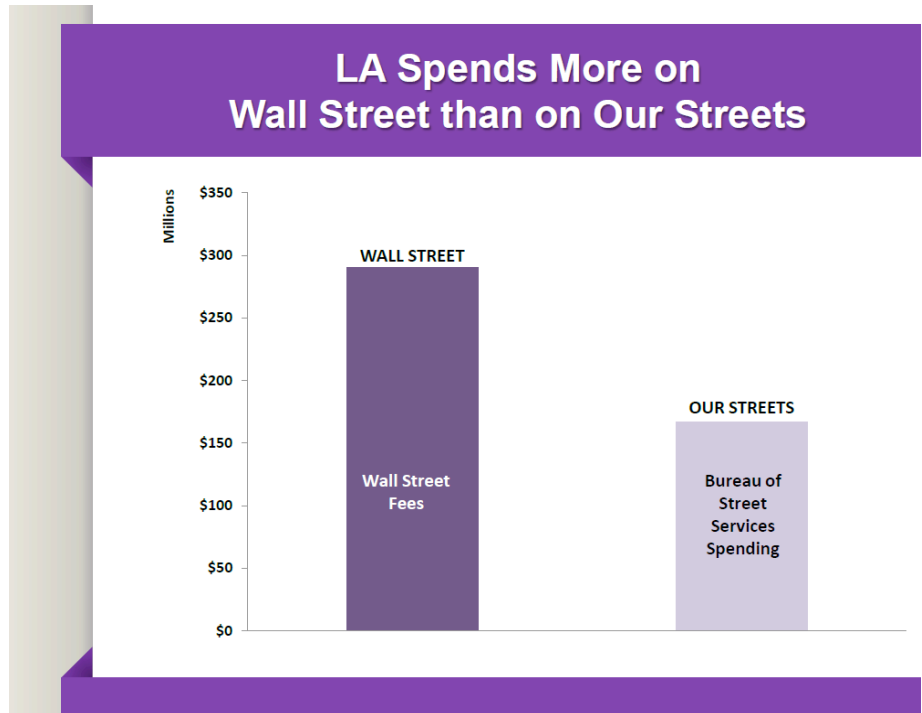
While public officials debate which services to slash, Wall Street banks collect \$290 million a year from Los Angeles in fees for financial services—not counting principal or interest payments—draining the city of money it could use to fund neighborhood services. Wall Street has rigged the system in its favor and is getting rewarded handsomely for it, while regular Angelenos suffer.

We know it doesn't have to be this way. Wall Street should be held accountable for gouging Los Angeles.

City leaders have a choice: invest in our streets or Wall Street.

Key Findings

- **More to Wall Street than our streets:** The City of Los Angeles last year spent more on Wall Street fees than it did on our streets. It paid Wall Street \$290 million in fees, spending only \$163 million on the Bureau of Street Services. The city also controls \$106 billion in financial and economic power that flows through its financial institutions that can be leveraged to demand better deals from Wall Street.



- **Millions in cuts to services:** The Wall Street crash reduced revenues and forced a 19% cut in City spending on governmental operations and activities when measured on a per capita basis in 2014 dollars. Basic neighborhood services have been halted or severely curtailed. The city has all but stopped repairing sidewalks, clearing alleys and installing speed bumps.
- **Corporations shifting the property tax burden:** As revenues have declined over time, debt has increased, while structural revenue problems are not being addressed. Property taxes are the largest source of LA city revenue and there's been a big shift in who pays them. In 1977, commercial property owners paid 46% of property taxes and residential owners paid 53%. Now, commercial property owners pay only 30% of property taxes, while residential property owners pay 70%. Existing tax loopholes are a big part of the problem. If the loopholes were closed and commercial property was reassessed at market value, Los Angeles would get an additional \$200 million in property tax revenue each year, enough to restore many of the services that were cut.

Our Solutions to Fix LA

- 1. Reduce fees to Wall Street and provide greater transparency:** Taxpayers deserve a full accounting of payments to Wall Street banks and we need to take steps to reduce, renegotiate and recoup fees paid to Wall Street so that we can invest in communities instead.
- 2. Restore the neighborhood services Angelenos need:** Public services need to be funded and restored so that LA communities have what they need—clean, healthy, safe neighborhoods
- 3. Fair share solutions:** The city needs to address the root causes of LA's financial problems and ensure the wealthiest individuals and corporations pay their fair share.

Part I

Wall Street Bankers Get Nearly \$300 Million in Fees from LA

Wall Street banks collected \$290 million from the City of Los Angeles last year, while services to ordinary residents were slashed.

Fees and Payments Wall Street Collected from LA (2012-2013)

Type of Fee/Payment	Amount (Millions)	Fee/Payment Description
Bond issuance costs	\$12.9	Each time the City or its agencies issue bonds, Wall Street charges fees for structuring and selling the bonds. Costs of issuance are one-time charges. They generally include an underwriter's discount and fees for a bond counsel, a disclosure counsel, a financial advisor and rating agencies. ¹
Performance Fees Private Investments (Private Equity, Hedge Funds)	\$75.9	Wall Street managers for private investments receive 20 percent of the profits taken off the top of investment returns for pension funds.
Interest rate swap payments	\$4.8	These are hedges sold to reduce the cost of variable rate bonds, but have instead increased costs to LA taxpayers every year since the crash.
Letters of credit/ Commitment Fees	\$17.9	The City pays banks for insurance on bonds and other notes with variable interest rates. The City also pays annual fees for letters of credit, even for debt that has not been issued.
Bank/Merchant Service Fees	\$18.0	Wells Fargo, American Express, U.S. Bank, and one Merchant Company charged LA taxpayers \$18 million last year for handling the City's cash and credit card transactions.
Investment manager fees	\$133.1	The City pays Wall Street firms annual management fees for investments involving the City's three pension funds.
Securities Lending Income Split Fees	\$2.2	Wall Street firms take a cut of the profits in several types of city investments. In the case of the Securities Lending Program, firms received 10 to 20 percent of investment income, resulting in an additional estimated \$2.2 million paid by LA taxpayers last year.
Legal Counsel, Dealer, and Termination Fees	\$1.2	
Remarketing Fees	\$1.0	Wall Street charges an annual fee for reselling existing debt to new debt holders.
Natural gas swaps	\$23.1	Hedges sold to mitigate the risk of fluctuating gas prices.

TOTAL \$290 MILLION

“States and municipalities borrow money through the municipal bond market to finance important investments in schools, roads, bridges, public buildings, even water and electrical infrastructure. A growing body of evidence, however, suggests that state and local borrowing costs are too high. Given that the value of municipal bonds outstanding is roughly \$2.9 trillion, municipal borrowers and their investors are leaving billions of dollars on the table every year because of borrowing costs, fees, and other transaction costs. These costs are a drain on state budgets; make investments in education, infrastructure, healthcare, and utilities more expensive; and reduce investment returns for investors.”

—The Hamilton Project,
Brookings Institute

Need for a Full Accounting of Wall Street Fees

The city makes no secret of how much it spends on our streets. The \$163 million spent on streets is reported, plain as day, in the city's annual financial statement.² But the sum total \$290 million paid to Wall Street is nowhere to be found.

We arrived at it only by studying the records of nearly a dozen separate city departments, the city's contract database, its annual and quarterly budget and financial reports, the federal Electronic Municipal Market Access database, and publicly available reports published online by financial institutions with which the city contracts.

This **lack of transparency** is a hallmark of the financial services industry, according to economists who have studied how it interacts with the many local and state governments that use it to borrow and invest public funds.

"Municipal markets are characterized by poor information and illiquidity," said Andrew Ang, professor of economics at Columbia Business School, and Richard C. Green, professor of economics at Tepper School of Business at Carnegie-Mellon University, in a report published by the Brookings Institution's Hamilton Project.³ They concluded: "[T]he state and local governments that borrow money by issuing bonds and ordinary investors who buy those bonds pay billions of dollars each year in unnecessary fees, transaction costs and interest expense."⁴

Leveraging LA's \$106 Billion in Economic Clout to Reduce Fees

Together, the City of Los Angeles, its airport, seaport, utilities and pension funds control \$106 billion that flows through financial institutions in the form of assets, payments and debt issuance.⁵ Wall Street profits from each of these flows of money not only through the multiple fees it charges, but also by lending or leveraging the city's deposited funds and by structuring deals in unnecessarily complex ways that generate significant commissions.

The city would have far more negotiating strength if it consolidated its dealings with Wall Street, instead of dispersing them among nearly a dozen departments. The city needs to leverage its \$106 billion in financial and economic power to demand better deals with Wall Street, so that it can invest more in our communities.

LA Money Flowing through Financial Institutions (Millions)				
	Liquid Assets	Debt	Cash	Total
City	\$15,459	\$1,963	\$26,122	\$43,544
Airport	\$2,495	\$1,105	\$1,708	\$5,308
Seaport	\$537	\$250	\$604	\$1,391
Utilities	\$1,222	\$2,289	\$8,254	\$11,765
Pension & OPEB	\$43,810			\$43,810
Total	\$63,523	\$5,607	\$36,688	\$105,818

Renegotiate Bad Deals that Cost Taxpayers Millions a Year

Wall Street sold many cities, states and school districts complex deals called "interest rate swaps" that were similar in their risky nature to the predatory mortgages they sold to homebuyers.

The deals were sold on the assumption that they would save LA taxpayers money. But after the banks crashed the economy, the federal government drove down interest rates as part of the bank bailout, and now the banks are reaping a windfall at taxpayers' expense. LA is currently paying \$4.8 million annually to New York Mellon Bank.⁶

The City of Los Angeles is locked into a swap deal through 2028 that could cost taxpayers an additional **\$65.8 million**.⁷ New York Mellon won't let the city out of the toxic deal unless it pays **\$24.7 million** in penalties to terminate the swap.⁸ The city **already paid NY Mellon \$26.1 million** in 2012 to terminate part of another swap⁹ that was costing the city an additional \$2.5 million per year.¹⁰

"[I]t is high time officials moved boldly to force the banks to break off the chain of disastrous swap contracts that have cost local authorities and states so much money."

—Thomas Ferguson and
Robert A. Johnson,
The Roosevelt Institute,
LA Times OpEd

Take Legal Action to Recoup Losses from Bank Fraud

LA taxpayers appear to have lost another \$1.6 million on these swap deals as a result of an interest rate-rigging scandal involving a number of banks. The banks conspired to rig an index called LIBOR to which swaps and many other deals are tied.¹¹

Other cities, counties, pension funds and public entities—including nine in California—have already sued banks to recoup losses due to the rate-fixing.¹² LA should follow suit.

Demand a Better Deal for LA

The municipal finance market nationally is a \$4 trillion business. It's supposed to exist to fund essential public services, but instead Los Angeles pays hundreds of millions every year to the biggest banks, while communities are forced to sacrifice with cuts to services. Wall Street has received a free pass, and the people most in need are forced to pay to fix the problems the banks caused.

We need to leverage LA's financial and economic power to demand a better deal with Wall Street so that we can invest in our communities.

Part II

Big Cuts to LA Neighborhood Services

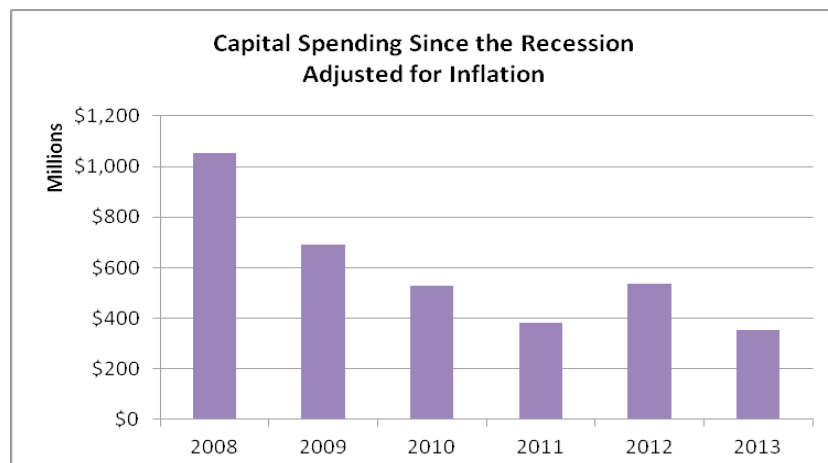
Angelenos paid a heavy price in the wake of the crash. The city decreased spending by 19% overall.¹³ Spending has become increasingly concentrated on providing police and fire protection and paying debts.

The city cut its work force by 10%.¹⁴ It also halted or severely cut back many basic services. It all but stopped repairing sidewalks, clearing alleys and installing speed bumps. It stopped inspecting sewers, resulting in twice the number of sewer overflows.

The city also decreased:¹⁵

- By 74% the amount of time it devotes to intersection traffic control—from 90,000 hours in 2008 to 24,000 hours last year,
- By 56% the number of abandoned vehicles it removes from city streets—from 139,000 in 2008 to 61,000 last year,
- By 61% the amount of debris it removes—from 201,000 cubic feet to 77,700,
- By 42% the catch basins it clears—a critical matter for flood control,
- By 55% the number of street signs it repaired or replaces—from 97,000 to 44,000 and
- By 46% the number of trees it trims—from 97,000 to 52,000.

The city stopped investing in itself. Overall infrastructure spending also fell dramatically.



Part III

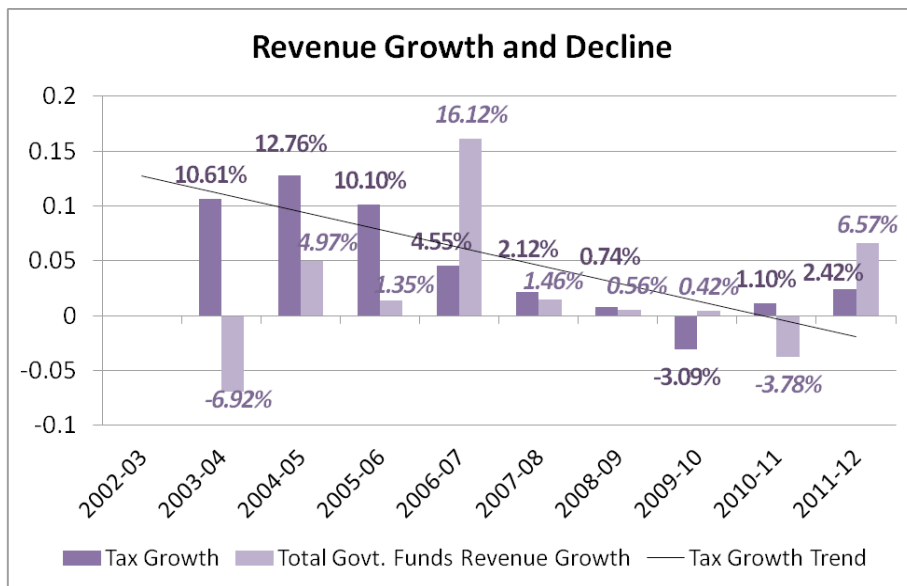
Addressing the Root Problems

Tax revenues have declined¹⁶ as the wealthy and corporations have shifted more of the tax burdens onto people who can least afford to pay. This trend has played out at all levels of government.

Fifty years ago, the wealthiest Americans paid federal income taxes at a top marginal rate of 70%. Today, the top rate is half of that.¹⁷ The highest corporate tax rates have also been slashed—from 52% to 35%.¹⁸ **Just as families facing stagnated incomes have turned to multiple forms of debt to pay for basic necessities, cities have also been forced to take on increased debt.**

Debt service and finance costs together constitute one of the biggest drains on our public budgets. Over the past 30 years, the amount of municipal bond debt outstanding in the United States has increased 800% from \$400 billion to \$3.7 trillion.¹⁹

Since the 1990s city debt has shot up by 125%—half of that since the crash.²⁰ This growth in debt coincides with a drop in the share of income and property tax revenues paid by wealthy individuals and corporations. For local governments, the shift can be seen most clearly when it comes to property taxes.

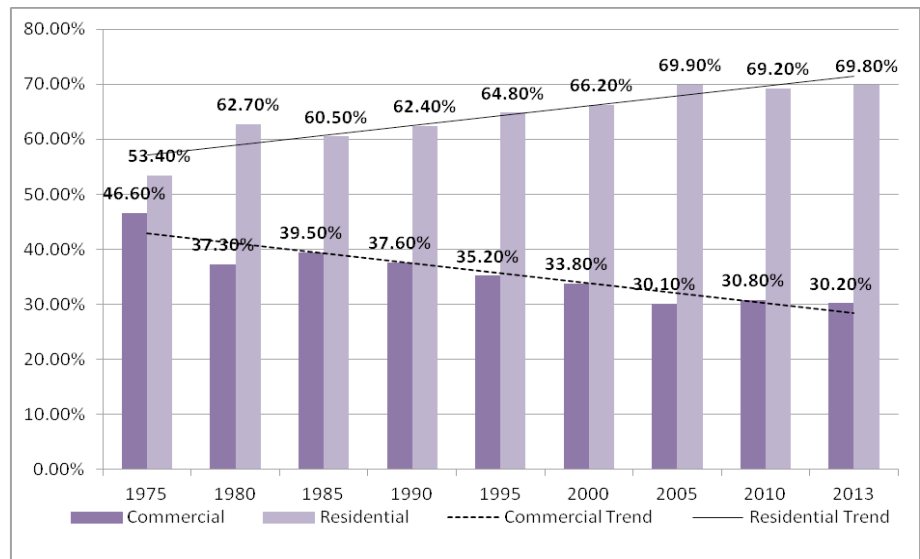


Corporations Shifting the Property Tax Burden

Property taxes are the largest source of LA city's revenue. Over the years, there has been a big shift in who pays them.

In 1975, before California voters passed Proposition 13, commercial property owners in Los Angeles County paid almost as large a share of property taxes as residential property owners. Now, commercial property owners pay only 30% of property taxes, according to the LA County Assessor's 2013 annual report. Residential property owners pay 70%.

Commercial Property Owners Are Paying Less Than Ever



California voters who approved Proposition 13 in 1978 had no reason to anticipate this shift. Proposition 13 called for reassessments to market value when commercial or residential properties were sold. In fact, Proposition 13's advocates promised in a ballot argument: "Proposition 13 will NOT give business a NEW WINDFALL."²¹

But that's exactly what it has done. **Proposition 13 had unintended consequences.** The most likely explanation for the shift is that many commercial property owners have taken advantage of loopholes in California law that allow them to avoid reassessment of many properties that are sold.

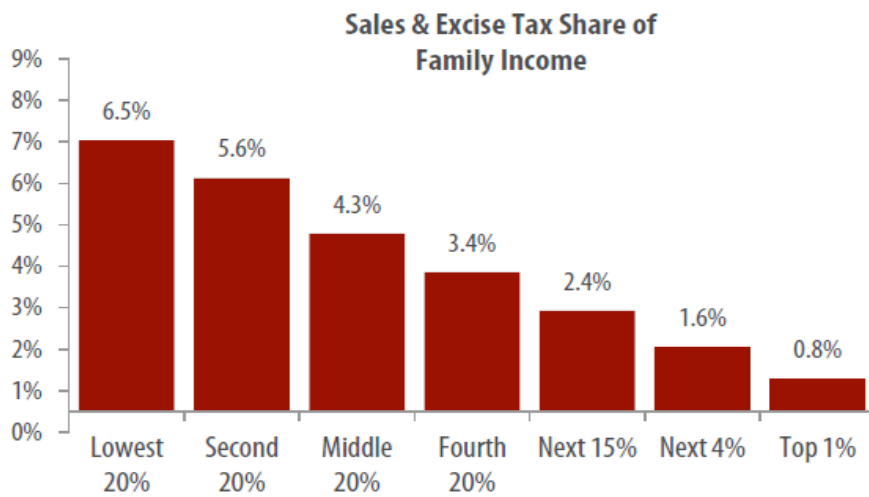
The loopholes have been well documented.²² The most notorious allows commercial properties to escape reassessment, even if they are sold, if no one party ends up owning more than 50%.

If the loopholes were closed and commercial property was reassessed at market value, we calculate that would bring the City of Los Angeles approximately \$200 million in additional property tax revenue each year.²³

That would be enough to restore many of the services that have been cut.

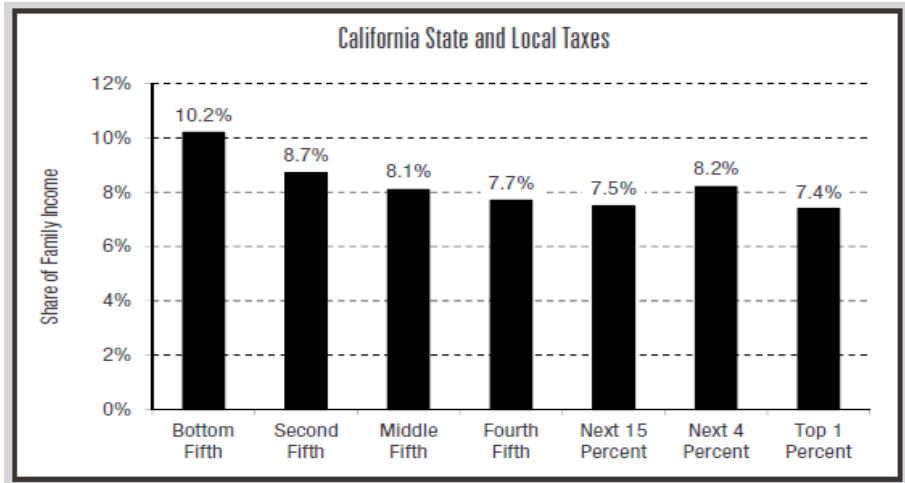
In the absence of sufficient revenue from property taxes, local governments have turned increasingly to other taxes that disproportionately impact working families, like sales taxes.

The sales tax may seem fair on its face. After all, everyone pays the same rate. But the sales tax is in fact an example of a deeply regressive tax. It takes a much larger proportion of a poor person's income than a rich person's. In other words, the less income you have, the greater percentage of that income you pay.²⁴



Source: California Budget Project

When taxes like the sales tax are added to the overall mix of California taxes, the whole picture becomes regressive. The poor pay higher proportions of their income in taxes than the rich.²⁵



Source: California Budget Project

One of our challenges is to figure out a way to make California's state and local tax system for individuals more progressive.²⁶

Another is to rebalance the tax system so that corporations pay their fair share.

Where's the Money Now?

The Los Angeles metro area is the second largest economy in the United States.²⁷ It is also among the top 10 cities nationally in wealth inequality,²⁸ with the highest poverty rate of all major cities in the country.²⁹

The Picture in LA:

- Los Angeles is among the top 10 cities in wealth inequality.³⁰
- Most Angelenos are earning less than what they earned 30 years ago.³¹
- Sixty percent more Angelenos are unemployed than the national average.³²
- Nearly 54,000 homes have been lost to foreclosure.³³
- Working Angelenos' single most important asset, their homes, lost \$35.7 billion in value due to foreclosures in the first five years after Wall Street tanked the economy.³⁴
- The greater LA homeless population reached a record level of 58,000 last year.³⁵
- A 2011 study found that 1.7 million Angelenos at the county level had insufficient incomes to meet the most minimal nutritional needs.³⁶

In contrast, at the top of the wealth spectrum, as LA's richest corporations continue to accumulate more, while paying less and less of their fair share.

- The Los Angeles metro area has the second highest number of rich people in the country.³⁷
- It is home to 126,200 millionaires and 950 multi-millionaires with assets over \$30 million each.³⁸
- LA's 40 billionaires have a net wealth of nearly \$120 billion.³⁹
- Nearly half of the 53 wealthiest Angelenos are in the finance field (investments, private equity, hedge funds and insurance).
- The metro area is also home to 14 Fortune 500 companies that together garnered \$191 billion in revenues last year.⁴⁰
- The CEOs of these 14 Fortune 500 companies earned \$263 million in 2012.⁴¹

Endnotes

- 1 Los Angeles Department of Water & Power, Letter to City Council, p. 6 (Feb. 19, 2014) (online at http://clkrep.lacity.org/onlinedocs/2014/14-0237_rpt_bwp_02-19-14.pdf).
- 2 City of Los Angeles Comprehensive Annual Financial Statement, FY 2012-2013, p. 215.
- 3 "Lowering Borrowing Costs for States and Municipalities Through Common Muni," by Andrew Ang, professor of economics at Columbia University, and Richard C. Green, professor of economics at Carnegie-Mellon University, Page 6 of Full Report available online at <http://www.brookings.edu/research/papers/2011/02/municipal-bond-ang-green>
- 4 Ibid. Page 28
- 5 City of Los Angeles Comprehensive Annual Financial Report for the year ending June 30, 2013, pp. 37, 38, 320 and 326; Los Angeles World Airports, Comprehensive Annual Financial Report for the year ending June 30, 2013, pp. 27 & 29; The Port of Los Angeles Comprehensive Annual Financial Report for the year ending June 30, 2013, pp. 34-37; Los Angeles Department of Water and Power Water System Comprehensive Annual Financial Report for the year ending June 30, 2013, pp. 13-15; Los Angeles Department of Water and Power Power System Comprehensive Annual Financial Report for the year ending June 30, 2013, pp.14-16.
- 6 City of Los Angeles Comprehensive Annual Financial Report for the year ending June 30, 2013, p. 145
- 7 City of Los Angeles Comprehensive Annual Financial Report for the year ending June 30, 2012, p. 139
- 8 City of Los Angeles Comprehensive Annual Financial Report for the year ending June 30, 2012, p.138
- 9 City of Los Angeles Comprehensive Annual Financial Report for the year ending June 30, 2012, p. 57
- 10 City of Los Angeles Comprehensive Annual Financial Report for the year ending June 30, 2012, p. 138; City of Los Angeles Comprehensive Annual Financial Report for the year ending June 30, 2011, p. 144; Historical LIBOR rates: http://www.fedprimerate.com/libor/libor_rates_history.htm.
- 11 City of Los Angeles Comprehensive Annual Financial Report for the years ending June 30, 2008, p. 132; June 30, 2009, p. 134; June 30, 2010, p. 138; and June 30, 2011, p. 144.
- 12 Long v. Nat'l R.R. Passenger Corp., case 11 civ 5440 filed in U.S. District Court Southern District of New York, August 4, 2011,; Los Angeles County Retirement Association vs. Bank of America et al, Case CV12-10903 filed in U.S. District Court for the Central District of California, December 21, 2012; <http://www.utsandiego.com/news/2013/jan/09/Counties-sue-over-libor/>.
- 13 Data source: Comprehensive Annual Financial Reports for the Fiscal Year Ended June 30, 2013. http://controller.lacity.org/Financial_Reports/index.htm. Section: Data from the statistical sections Statement: Change in Fund Balance - Governmental Funds. Modified Accrual Basis of Accounting Pgs. 338-339. Adjusted on a per capita basis with population data from the California department of finance. Link: <http://www.dof.ca.gov/research/demographic/reports/view.php>
Inflation conversion using U.S. Department of Commerce Bureau of Economic Analysis. Implicit Price Deflators for Gross Domestic Product for State and Local governments. Table 1.1.9. <http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&903=13>
- 14 Comprehensive Annual Financial Reports for the Fiscal Year Ended June 30, 2013 pg. L-12 and 362-365
- 15 Comprehensive Annual Financial Reports for the Fiscal Year Ended June 30, 2013 pg. 366-377
- 16 Comprehensive Annual Financial Reports 2013 .Data from the statistical sections. Change in Fund Balance - Governmental Fund. Modified Accrual Basis of Accounting Pgs. 338-342
- 17 "How Progressive is the U.S. Federal Tax System: A Historical and International Perspective," by Saez and Picketty, available at <http://www.nber.org/papers/w12404.pdf>
- 18 "Corporation Income Tax Brackets and Rates, 1909-2002," available at <http://www.irs.gov/pub/irs-soi/02corate.pdf>
- 19 [U.S. Bond Market Issuance and Outstanding](#) (xls) - annual, quarterly, or monthly issuance to February 2014 (issuance) and from 1980 to Q4 2013 (outstanding) Updated 3/17/14

- 20 Comprehensive Annual Financial Reports for the Fiscal Years Ended June 30, 1997 through 2013
- 21 California Voters Pamphlet, June 1978, page 59, available at http://librarysource.uchastings.edu/ballot_pdf/1978p.pdf
- 22 "System Failure: California's Loophole-Ridden Commercial Property Tax" available at http://www.caltaxreform.org/pdf_ppt/SystemFailureFinalReportMay2010.pdf
- 23 California Tax Reform Assn. estimates that localities statewide would generate \$8 billion to \$10 billion more if commercial properties were assessed at market rates. That would be a 17.4% increase over the amount actually collected. If \$10 billion, that would be a 21.8% increase. Applied to LA City's \$1.1 billion in property tax receipts, those percentage increases would produce additional revenues ranging from \$191.5 million to \$240 million per year.
- 24 Institute on Taxation and Economic Policy, "Who Pays?" available at <http://www.itep.org/pdf/ca.pdf>
- 25 California Budget Project, based on data from Institute on Taxation Economic Policy, 2012, available at http://www.cbp.org/pdfs/2012/120413_Who_Pays_Taxes.pdf
- 26 Proposition 30 was a half-step in this direction, temporarily increasing income taxes for the highest earners while also increasing the sale tax for all California.
- 27 <http://www.city-data.com/forum/city-vs-city/1997435-2013-gdp-metropolitan-area.html>; <http://www.skyscrapercity.com/showthread.php?t=1489306>.
- 28 <http://www.brookings.edu/research/papers/2014/02/cities-unequal-berube>.
- 29 <http://www.la2020reports.org/reports/A-Time-For-Truth.pdf>, p. 1.
- 30 <http://www.brookings.edu/research/papers/2014/02/cities-unequal-berube>.
- 31 http://www.economicrt.org/summaries/Effects_15Dollar_MinWage_LA_City.html, pp.6 & 10.
- 32 Bureau of Labor Labor Statistics Local Area Seasonally Adjusted Unemployment Statistics for Los Angeles-Long Beach Glendale Metropolitan Division for January 2014; Bureau of Labor Statistics, National Seasonally Adjusted Unemployment rate for January 2014
- 33 Los Angeles Housing Element: <http://planning.lacity.org/HousingInitiatives/HousingElement/Text/OES.pdf>
- 34 Data from RealtyTrac. Exact data for 2011 was not available, and was calculated at 67% of 2010 based on trends from other locations.
- 35 <http://articles.latimes.com/2013/nov/21/local/la-me-in-hud-homeless-20131121>
- 36 <http://feedingamerica.org/hunger-in-america/hunger-studies/map-the-meal-gap.aspx>
- 37 <http://www.census.gov/prod/2013pubs/acsbr11-23.pdf>
- 38 <http://www.economist.com/blogs/graphicdetail/2013/05/daily-chart-7>
- 39 <http://www.cbjonline.com/a2labj/lists/2013-Wealthiest-Angelenos-1-25.pdf>
- 40 Financial Data from CapitalIQ.
- 41 Data from CapitalIQ

Appendix

The following three documents support the facts and assertions laid out in this report.

- I. Methodology Used to Document Fees**
- II. Detailed Fees Citations with Amounts**
- III. Guide to Terms and Fee Calculations**

Methodology Used to Document and Estimate Fees

In the interest of improving transparency and identifying avenues for cost savings for the City, SEIU Local 721 set out to document, for one year, all of the fees paid by the City to Wall Street firms for financial management services. Because there is no central depository of information accounting for the City's payments for financial services, our research involved hundreds of hours combing through the City's online Council file management system, its contract database, annual and quarterly budget and financial reports, the Electronic Municipal Market Access database, and any publicly available reports published online by financial institutions contracted with the City. What emerged from our research is likely to represent only a conservative estimate of what the City spends per year on financial services.

In fiscal year 2012-13, we estimate that the City paid Wall Street firms \$290 million in fees (excluding debt service payments such as principal and interest) from the following funds:

1. Municipal Improvement Corporation of Los Angeles (MICLA);
2. Los Angeles World Airports;
3. Regional Airports Improvement Corporation;
4. Harbor;
5. Power System;
6. Water System;
7. Tax and Revenue Anticipation Notes (General Fund);
8. Wastewater System Revenue Bonds and Commercial Paper Notes;
9. Solid Waste Resources; and
10. Three Pension funds (Los Angeles City Employees' Retirement System (LACERS), Los Angeles Fire and Police Pensions (LAFPP), and Department of Water and Power Employees' Retirement Plan (WPERP).

Performance Fees for Private Equity and Hedge Funds

The City's three pension funds pay an enormous amount in management fees—\$133.1 million just last year—to Wall Street fund managers. Yet that amount represents only a portion of fees paid since all of the performance fees charged on private equity and hedge fund

profits are taken off the top of the returns received by the pension funds. In fact, neither the boards nor the investment staff employed by the boards know how much they pay in total fees. Why? Because private equity and hedge funds do not want that information public.

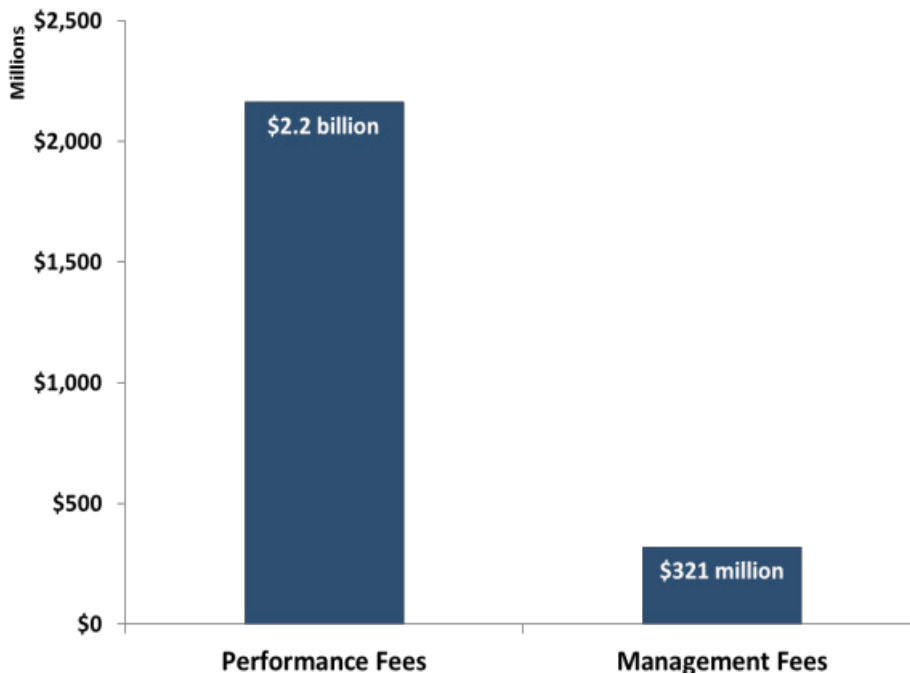
In an alternative investment structure such as hedge funds, General Partners (GP) assume responsibility for fund operations while limited partners commit capital into the partnership and are only liable for the original paid-in amount.¹ General Partners do have “skin in the game;” however, the GP’s contribution is usually quite small at about 1 percent of the assets of the partnership.²

Both private equity (PE) and hedge funds reward managers with performance fees. In PE funds, the GP receives anywhere from 10 to 40 percent—usually 20 percent—of the fund’s distribution (profit) after all investment and management expenses have been paid and after limited partners have received invested capital and accrued preferred returns.³ In hedge funds, performance fees (called “incentive fees”) are generally 20 percent of fund returns, but may range as high as 50 percent.⁴ Incentive fees are paid to fund managers “when the net asset value of the fund is above the level at which the performance fee was last paid. This level is commonly referred to as the high-water mark.”⁵

Performance fees for successful private investment fund managers are substantial and often dwarf the fees paid strictly for investment management (typically 2 percent of assets managed). Collectively, the management and performance fees are often referred to as “the 2 and 20.” For example, as illustrated in the graph below, for private investments by Apollo in a single year, the earnings due to performance fees exceed earnings due to Investment Management fees by more than 6.5 times.

Apollo Private Investments: Performance vs. Management Fees in a Single Year

In order to estimate what the City's three pension funds pay in performance fees each year, we compared the total fees reported in Security and Exchange Commission reports and other publicly available documents for three major firms—Apollo, KKR, and Blackstone—which charge, respectively, 6 percent, 3.17 percent, and 2.65 percent of the total private investments managed. We used the average of these percentages—3.94 percent of total private investments managed—to estimate the total amount of performance fees paid collectively by the city's three pension funds, LACERS, LAFPP, and WPERP: \$75,890,943.33.



Our annual fee estimate of \$290 million is likely to be a conservative estimate of the fees LA pays to Wall Street as it does NOT include any of the following:

1. Investment management expenses for investments by DWP totaling \$667,062,000 and by other agencies totaling \$838,186,000;⁶
2. So-called "soft dollar" payments by mutual funds and other money managers to their service providers (i.e., fees hidden in the trading costs which are passed onto investors but not reflected in disclosed annual fees);⁷ and
3. Recordkeeping and Transaction fees associated with the management of investment funds.

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- ¹ Investopedia, *Hedge Funds: Structures* (accessed Mar. 17, 2014) (online at www.investopedia.com/university/hedge-fund/structures.asp).
 - ² Seth H. Poloner, *Structuring Hedge Fund Manager Compensation: Tax and Economic Considerations*, (May 2010) (online at <http://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CCoQFjAA&url=http%3A%2F%2Fwww.davispolk.com%2Fsites%2Fdefault%2Ffiles%2Ffiles%2FPublication%2F9eb5bf86-da00-4adb-bab8-e6116ca12b1a%2FPreview%2FPublicationAttachment%2F7cf48df1-c313-4984-a141-e8b33fd20ea8%2Fpoloner.journal.of.taxation.article.jun10.pdf&ei=vRIqU7ufAc-0gHI5IHgCw&usg=AFQjCNH-SPGRrDCFzRM8G--wsWxqfQa96w&sig2=28awWbTfHWwCqpORzQpCg&bvm=bv.62922401,d.dmQ>).
 - ³ Blackstone Group L.P., *Form 10-K (Annual Report)*, p. 13 (Filed Feb. 28, 2014 for the Period Ending 12/31/13) (online at <http://files.shareholder.com/downloads/BX/3014108467x0xS1193125-14-77145/1393818/filing.pdf>).
 - ⁴ Stout/Risius/Ross (SRR), *Carried Interest and Performance Fee Incentives*, p. 2 (Fall 2011) (online at www.srr.com/article/carried-interest-and-performance-fee-incentives).
 - ⁵ *Id.*
 - ⁶ City of Los Angeles, *Comprehensive Annual Financial Report* (For the Fiscal Year Ended June 30, 2012), p. 94 (online at http://controller.lacity.org/stellent/groups/ElectedOfficials/@CTR_Contributor/documents/Contributor_Web_Content/LACITYP_024494.pdf).
 - ⁷ Proskauer, *Client Commission (Soft Dollar) Arrangements: The Section 28(e) Safe Harbor* (Oct. 2011) (online at www.proskauer.com/files/uploads/broker-dealer/Client-Commission-Soft-Dollar-Arrangements.pdf).

Detailed Fees Citations with Amounts

Service	Amount	Reference
Bank Service Fees	\$7,940,545	Filter by Account Name "bank service fees," then sort by transaction dates from July 1, 2012 through June 31, 2013; export to Excel to calculate total https://controllerdata.lacity.org/E-Checkbook/eCheckbook-Data/pggv-e4fn

Tax and Revenue Anticipation Notes

Legal Counsel	\$174,500	http://clkrep.lacity.org/onlinecontracts/2013/c-122593_c_07-18-13.pdf http://clkrep.lacity.org/onlinecontracts/2012/C-120671_C_07-06-12.pdf
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Enterprise Funds

Sewer Fund (Wastewater)

Letter of Credit (LOC) Fee	\$1,085,262	Series 2013-A Bonds (Subordinate Refunding)	http://emma.msrb.org/ER666371-ER517470-ER920082.pdf
	\$564,872	Series 2013-A Bonds (Refunding)	http://emma.msrb.org/ER681707-ER528427-ER931034.pdf
	424,269	Series 2013-B Bonds (Refunding)	http://emma.msrb.org/ER681707-ER528427-ER931034.pdf
Cost of Issuance (one-time)	\$805,239*	Series 2012-D Bonds (Subordinate Refunding) (Variable Rate)	City of Los Angeles, Comprehensive Annual Financial Report (CAFR) Fiscal Year Ending June 30, 2013, p. 140 *Note: Issuance cost estimated using average issuance cost as a percentage of total bond issued for Series 2013 Wastewater Bonds http://controller.lacity.org/Financial_Reports/index.htm
Counterparty Payments	\$1,544,730	Interest Rate Swaps, Series 2012-A	City of Los Angeles CAFR 2012, p. 138-139 http://controller.lacity.org/Financial_Reports/index.htm Bank of America Agreement, Bond Series 2008-F, p. 46 Bank of America, North America LOC, p. 3 http://clkrep.lacity.org/onlinecontracts/2008/08-0951_rpt_cao_4-18-08.pdf
	\$4,808,267	Commercial Paper**	http://clkrep.lacity.org/onlinecontracts/2008/08-0951_rpt_cao_6-9-10.pdf Barclays Capital Inc., p. 55 http://clkrep.lacity.org/onlinecontracts/2008/08-0951_rpt_cao_6-9-10.pdf Bank of New York Mellon, Sumitomo Mitsui Banking Corporation, p. 2 http://clkrep.lacity.org/onlinecontracts/2012/12-1861_RPT_CAO_11-29-12.pdf http://emma.msrb.org/ER690666-ER535423-ER937416.pdf http://clkrep.lacity.org/onlinecontracts/2008/08-0951_rpt_cao_6-9-10.pdf , p. 84
Dealer Fee	\$40,000		
LOC Fee	\$1,068,200		
Commitment Fee	\$1,104,000		

**\$80 million outstanding from December 2012, See http://clkrep.lacity.org/onlinecontracts/2012/12-1861_RPT_CAO_11-29-12.pdf; www.dacbond.com/dacContent/doc.jsp?id=0900bbc7801177d6; City of Los Angeles CAFR 2012, p. 215

Municipal Improvement Corporation of Los Angeles Commercial paper	
Cost of Issuance	\$85,000 p. 84, CAFR Fiscal Year Ending June 30, 2013 http://controller.lacity.org/Financial_Reports/index.htm
Dealer Fee	\$128,940 Wells Fargo, Commercial paper dealer agreement, p. 962, Fee rate multiplied by remaining debt http://clkrep.lacity.org/online/docs/2013/13-0637_rpt_cao_5-23-13.pdf
Utilized and Unutilized LOCs	\$202,800 Bank of the West, p. 2 http://clkrep.lacity.org/online/docs/2009/09-2864-S1_RPT_CAO_12-28-10.pdf
	\$1,484,293 p. 1, 96-97 J.P. Morgan, Exhibit C Fee Letter http://clkrep.lacity.org/online/docs/2012/12-1196_RPT_CAO_08-03-12.pdf
	\$1,300,000 Wells Fargo, p. 2 http://clkrep.lacity.org/online/docs/2009/09-2864-S1_RPT_CAO_12-28-10.pdf

Sanitation Equipment Charge Revenue Bonds (Solid Waste Resources Revenue Bonds)

Cost of Issuance	\$189,714	Series 2013-A Bonds	p. 6
	\$202,997	Series 2013-B Bonds	http://emma.msrb.org/EP737830-EP572620-EP974014.pdf

Proprietary Departments

Los Angeles World Airports

Cost of Issuance	\$742,876	Series 2012 A Bonds	http://emma.msrb.org/EP724136-EP561794-EP963012.pdf
	\$1,091,992	Series 2012 B Bonds	
	\$178,692	Series 2012 C Bonds	
LOC Fees	\$340,000	Commercial Paper	Los Angeles World Airports (LAWA), CAFR 2013, p. 47
	\$244,800	Bank of America	www.lawa.org/uploadedFiles/LAWA/pdf/LAWA_CAFR_FY_2013.pdf
	\$490,050	Barclays	www.lawa.org/uploadedFiles/board_agenda/Reports/boac120213x1330_specialmeetingreports.pdf
	\$783,840	Citibank	www.lawa.aero/uploadedFiles/board_agenda/Attachment/2012%20loc%20docs.pdf
	\$110,000	Wells Fargo	
General Financial Services		Ontario Airport	http://clkrep.lacity.org/online/contracts/2012/C-120971_C_09-06-12.pdf

Regional Airports Improvement Corporation

Cost of Issuance	\$1,139,050	Facilities Lease Refunding Revenue Bonds, Issue of 2012	p. 12 http://emma.msrb.org/EP698515-EP542822-EP943949.pdf
Termination Fee	\$694,956		

Los Angeles Department of Water and Power

Cost of Issuance	\$1,428,314	Water System Revenue Bonds, 2012 Series B, C	http://emma.msrb.org/ER617228-ER478893-ER881830.pdf
	\$282,417	Water System Revenue Bonds, 2013 Series A	http://emma.msrb.org/EA519683-EA405391-EA802358.pdf
	\$2,369,829	Power System Revenue Bonds, 2012 Series A, B, C	http://emma.msrb.org/EA483335-EA374778-EA771567.pdf
	\$1,068,962	Power System Revenue Bonds, 2013 Series A	http://emma.msrb.org/ER646947-ER502042-ER904763.pdf
	\$1,289,230	Power System Revenue Bonds, 2013 Series B, C	http://emma.msrb.org/EA531719-EA414230-EA811102.pdf
LOC Fee	\$652,500	Water System Variable Rate Demand Revenue Bonds, 2001 B1-B3	*See May 2013 Financial Services Organization Monthly Activity Report
Remarketing Fee	\$168,750		
LOC Fee	\$550,000	Water System Variable Rate Demand Revenue Bonds, 2001 B4	
Remarketing Fee	\$75,000		
LOC Fee	\$2,613,600	Power System Variable Rate Demand Revenue Bonds, 2001 B	
Remarketing Fee	\$435,600		
LOC Fee	\$2,641,800	Power System Variable Rate Demand Revenue Bonds, 2002 A	
Remarketing Fee	\$271,950		
LOC Fee	\$1,400,000	Power System Commercial Paper 2004	*See May 2013 Financial Services Organization Monthly Activity Report
Remarketing Fee	\$80,000		
Counterparty Payments	\$23,064,535	Natural Gas Forward Contracts 2013	*Financial Services Organization Monthly Activity Reports
*See https://ladwp.com/ladwp/faces/ladwp/aboutus/a-financesandreports/a-fr-reports?_adf.ctrl-state=wj339rtv_4&_afzLoop=333539809130073&_afzWindowMode=0&_afzWindowId=55ug4pifk_14#%40%3F_afzWindowId%3D55ug4pifk_14%26_afzLoop%3D333539809130073%26_%3D%26_afzWindowMode%3D0%26_adf.ctrl-state%3D55ug4pifk_30			

Port of Los Angeles Commercial Paper

LOC Fee	\$1,000,000	p. 180, Mizuho Bank Fee Letter Dated July 19, 2012, p. 186, Wells Fargo Fee Letter Dated July 19, 2012 http://clkrep.lacity.org/online/docs/2012/12-0903_RPT_BHC_06-14-12.pdf
Commitment Fee	\$637,500	p. 134, City of Los Angeles, CAFR 2013 (outstanding balance) http://controller.lacity.org/Financial_Reports/index.htm

Fiduciary Funds: Defined Benefit Pension Plans

Los Angeles City Employees' Retirement System (LACERS)

Investment Mgmt Fees	\$1,021,000	SLP	p. 42, 53 www.lacers.org/aboutlacers/reports/CAFRs/CAFR2012-13.pdf
	18,050,000	Private Equity	
	\$9,090,000	Real Estate	
	\$21,036,000	Other	
SLP Income Split Fee	\$1,022,400*	www.lacers.org/aboutlacers/board/BoardDocs/2013/Board/20131126/ITEM%20IV-C%20-%20INVESTMENTS%20-%20CONTRACT%20EXTENSIONS%20WITH%20THE%20NORTHERN%20TRUST%20COMPANY.pdf	

* Assumes 15% of securities lending income (split fee) is not included in total SLP management expenses.

Los Angeles Fire and Police Pensions (LAFPP)

Investment Mgmt Fees	\$901,907	SLP	p. 324-325, City of Los Angeles CAFR 2013 http://controller.lacity.org/Financial_Reports/index.htm
	\$55,588,305	Other	p.11 www.lafpp.com/LAFPP/documents/financial_reports/2013_financial_statement.pdf
SLP Income Split Fee	\$902,977*	p. 53, Northern Trust Company (Custodian) http://controller.lacity.org/stellent/groups/electedofficials/@ctr_contributor/documents/contributor_web_content/lacityp_026043.pdf	

* Assumes 10% of securities lending income (split fee) is not included in total SLP management expenses.

Los Angeles Department of Water and Power Employees' Retirement Plan (WPERP)

Investment Mgmt Fees	\$321,204	SLP	p. 20-26 http://retirement.ladwp.com/image/FY13%20DPW%20Retirement%20Audit%20ReportFINAL.pdf
	\$27,103,856	Other	p. 323-324, City of Los Angeles CAFR 2013 http://controller.lacity.org/Financial_Reports/index.htm
SLP Income Split Fee	\$272,168*	p. 4.15 http://retirement.ladwp.com/AgendaItems/AGENDA%20-%2020120808%20item%204.pdf	
Legal Counsel	\$66,000	http://clkrep.lacity.org/onlinecontracts/2014/c-123586_c_1-23-14.pdf	

* Assumes 15% of securities lending income (split fee) is not included in total SLP management expenses.

Guide to Terms and Fee Calculations

Bond/Bond Principal:

“A means to raise money through the issuance of debt. A bond issuer/borrower promises in writing to repay a specified sum of money, alternately referred to as face value, par value or bond principal, to the buyer of the bond on a specified future date (maturity date), together with periodic interest at a specified rate.”¹

Bond Premium:

“The difference between the market price of a bond and its face value (when the market price is higher). A premium will occur when the bond’s stated interest rate is set higher than the true interest cost (the market rate).”²

Cost of Issuance:

One-time charge including “underwriter’s discount, bond counsel, disclosure counsel, financial advisor, and rating agencies fees.”³

Debt Remaining/Outstanding:

Total principal and interest amount of debt that is unpaid.

Performance Fee:

In Private Equity, the General Partner receives anywhere from 10 to 40 percent— usually 20 percent—of the fund’s distribution (profit) after all investment and management expenses have been paid and after limited partners have received invested capital and accrued preferred returns. In hedge funds, performance fees (called “incentive fees”) are generally 20 percent of fund returns, but may range as high as 50 percent.

Commitment Fee:

Definition: “A fee charged by a lender to a borrower for an unused credit line or undispersed loan.”⁴

Calculation: Fee rate charged per annum multiplied by undisbursed debt amount. If multiple lines of credit, unused percentage of total debt multiplied by individual lender amounts before multiplying by annual fee rate.

Commercial Paper Dealer Fee:

Definition: Fee associated with the services of a commercial paper dealer who “is typically a large financial firm that has the capital and sophistication to distribute commercial paper to investors on behalf of borrowing corporations and to make a market in commercial paper, setting prices at which it is willing to buy and sell.”⁵

Calculation: Fee rate charged per annum multiplied by outstanding debt (i.e., unpaid portion of a debt including interest accrued on the balance).

Variable Rate Demand Note (VRDN):

“A debt instrument that represents borrowed funds that are payable on demand and accrue interest based on a prevailing money market rate, such as the prime rate...Because money market interest rates, such as the bank prime rate, are variable over time, the interest rate applicable to this type of demand note is variable as well...these debt instruments are payable on demand.”⁶

VRDNs involve third-party letters of credit that “obligate the credit provider to pay principal and interest to bondholders within a certain time frame if the underlying issuer is unable to fulfill its obligation.”⁷

Basis Points/Letters of Credit:

Definition: “A letter from a bank guaranteeing that a buyer’s payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.”⁸

Calculation: Fee rate charged per annum multiplied by utilized or unutilized letter of credit amount.

Remarketing Fee:

Definition: Fee charged by remarketing agent who sells tendered debt to new debt holder.⁹

Calculation: Fee charged per annum multiplied by amount of debt remaining.

Interest Rate Swaps/Counterparty payments:

Definition: “An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often exchange a fixed payment for a floating payment that is linked to an interest rate (most often the LIBOR)” and are used to “limit or manage exposure to fluctuations in interest rates, or to obtain a marginally lower interest rate than it would have been able to get without the swap.”¹⁰

LIBOR (London Interbank Offered Rate) is a benchmark interest rate index.¹¹ Notional Value is the principal amount over which interest is calculated.¹²

The City of Los Angeles is required to make payments to its counterparties on two swap agreements because the fixed rate the City pays is higher than the variable rate paid by its counterparties. The City paid 3.18 percent (3.34- .15753)¹³ on the notional value of the swaps while the banks or counterparties paid a variable interest rate that is currently at .1 percent (64.1 percent of 1-month LIBOR Rate).¹⁴

Commodity (e.g., natural gas) Futures Contracts:

Department of Water and Power “enters into natural gas hedging contracts in order to stabilize the cost of gas needed to produce electricity to serve its customers.” Hedging contracts are designed to “cap prices over a portion of the forecasted gas requirements.”¹⁵

Termination Fees:

For Regional Airports Improvement Corporation—fee is paid to Trustee for termination of the Reserve Account Investment Agreement.¹⁶

In FY 2011-12, Sewer refunded the Series 2008 A-F1 Wastewater System Subordinate Variable Rate Revenue Refunding Bonds and partially terminated the swap agreements by issuing the Series 2012-A Subordinate Bonds.¹⁷

Tax and Revenue Anticipation Notes (TRANS):

A short-term loan issued to be paid off by [future] revenues, such as tax collections and state aid.¹⁸

Securities Lending:

"The act of loaning a stock, derivative, [or] other security to an investor or firm. Securities lending requires the borrower to put up collateral, whether cash, security or a letter of credit."¹⁹

The income split fee is the portion of revenue generated in the Securities Lending Program (SLP) that is paid to the SLP financial manager. SLP investment companies usually earn 10 to 15 percent of the income generated.

Investment Management Fees:

Fees paid to fund managers based on a percentage of assets managed. Investment management fees reported in the spreadsheet DO NOT include any performance, [or] incentive-based fees.

¹ Massachusetts Department of Revenue, *Municipal Finance Glossary* (May 2008) (online at www.mass.gov/dor/docs/dls/publ/misc/dlsmfgl.pdf).

² *Id.*

³ Los Angeles Department of Water & Power, Letter to City Council, p. 6 (Feb. 19, 2014) (online at http://clkrep.lacity.org/online/docs/2014/14-0237_rpt_bwp_02-19-14.pdf).

⁴ Investopedia, *Commitment Fee* (accessed Mar. 11, 2014) (online at www.investopedia.com/terms/c/commitmentfee.asp).

⁵ Investopedia, *Paper Dealer* (accessed Mar. 11, 2014) (online at www.investopedia.com/terms/p/paperdealer.asp).

⁶ Investopedia, *Variable Rate Demand Note – VRDN* (accessed Mar. 11, 2014) (online at www.investopedia.com/terms/v/variable_rate_demand_note.asp).

⁷ WellsFargoAdvantageFunds.com, *A Primer on Variable-Rate Demand Notes* (accessed Mar. 11, 2014) (online at www.wellsfargoadvantagefunds.com/pdf/cash/primer_vrdns.pdf).

⁸ Investopedia, *Letter of Credit* (accessed Mar. 11, 2014) (online at www.investopedia.com/terms/l/letterofcredit.asp).

⁹ FreddieMac.com, *Bond Basics* (July 2009) (online at www.freddiemac.com/multifamily/resources/module_1_bond_basics_tutorial.pdf).

¹⁰ Investopedia, *Interest Rate Swap* (accessed Mar. 11, 2014) (online at www.investopedia.com/terms/i/interestrateswap.asp).

¹¹ Bankrate.com, *LIBOR, Other Interest Rate Indexes* (accessed Mar. 11, 2014) (online at www.bankrate.com/rates/interest-rates/libor.aspx);

¹² Investopedia, *Notional Principal Amount* (accessed Mar. 11, 2014) (online at www.investopedia.com/terms/n/notionalprincipalamount.asp).

¹³ City of Los Angeles, *Comprehensive Annual Financial Report* (For the Fiscal Year Ended June 30, 2012), p. 139 (online at http://controller.lacity.org/stellent/groups/ElectedOfficials/@CTR_Contributor/documents/Contributor_Web_Content/LACITYP_024494.pdf).

- 14 City of Los Angeles, *Comprehensive Annual Financial Report* (For the Fiscal Year Ended June 30, 2012), p. 138- 139 (online at http://controller.lacity.org/stellent/groups/ElectedOfficials/@CTR_Contributor/documents/Contributor_Web_Content/LACITYP_024494.pdf); see Bankrate.com, *LIBOR, Other Interest Rate Indexes* (accessed Mar. 11, 2014) (online at www.bankrate.com/rates/interest-rates/libor.aspx).
- 15 City of Los Angeles, *Comprehensive Annual Financial Report* (For the Fiscal Year Ended June 30, 2012), p. 92 (online at http://controller.lacity.org/stellent/groups/ElectedOfficials/@CTR_Contributor/documents/Contributor_Web_Content/LACITYP_024494.pdf).
- 16 EMMA.MSRB.org, *Regional Airports Improvement Corporation, Facilities Lease Refunding Revenue Bonds, Issue of 2012, LAXFUEL CORPORATION* (accessed Mar. 11, 2014) (online at <http://emma.msrb.org/EP698515-EP542822-EP3949.pdf>).
- 17 City of Los Angeles, *Comprehensive Annual Financial Report* (For the Fiscal Year Ended June 30, 2012), p. 138 (online at http://controller.lacity.org/stellent/groups/ElectedOfficials/@CTR_Contributor/documents/Contributor_Web_Content/LACITYP_024494.pdf).
- 18 Massachusetts Department of Revenue, *Municipal Finance Glossary* (May 2008) (online at www.mass.gov/dor/docs/dls/publ/misc/dlsmfgl.pdf).
- 19 Investopedia, *Securities Lending* (accessed Mar. 11, 2013) (online at www.investopedia.com/terms/s/securitieslending.asp).