WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE
OPERATIONS CLUSTER

DATE: October 24, 2013
TIME: 1:00 p.m.
LOCATION: Kenneth Hahn Hall of Administration, Room 830

AGENDA

Members of the Public may address the Operations Cluster on any agenda item by submitting a written request prior to the meeting. Three (3) minutes are allowed for each item.

1. Call to order – Santos H. Kreimann

A) **Board Letter – REDEVELOPMENT AREA REFUNDING BOND APPROVAL**
TTC – Mark Saladino or designee

2. Public Comment

3. Adjournment

D R A F T

November 12, 2013

The Honorable Board of Directors
County of Los Angeles Redevelopment Refunding Authority
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Directors:

ISSUANCE AND SALE OF
COUNTY OF LOS ANGELES REDEVELOPMENT REFUNDING AUTHORITY
TAX INCREMENT REVENUE REFUNDING BONDS, SERIES 2013
(ALL DISTRICTS) (4 VOTES)

SUBJECT

The Treasurer and Tax Collector (the "Treasurer") is requesting authorization to issue tax increment revenue refunding bonds in an aggregate principal amount not to exceed [$200 million] (the "2013 Refunding Bonds"). Proceeds from the sale of the bonds will be utilized to purchase tax allocation refunding bonds ("Local Obligations") issued by certain successor agencies to former redevelopment agencies ("Successor Agencies") located within Los Angeles County. Such Local Obligations are to be issued for the purpose of achieving debt service savings that will benefit local taxing entities, including the County, that receive a share of the ad valorem property tax.

The 2013 Refunding Bonds are being issued pursuant to the State's Marks-Roos Bond Pooling Act, which will facilitate the pooling of the Local Obligations and the public sale by the County of Los Angeles Redevelopment Refunding Authority (the "Authority") of tax-exempt and taxable tax increment revenue refunding bonds. The payment of debt service on the 2013 Refunding Bonds will be funded exclusively by the Successor Agencies and there will be no financial recourse to either the County or the Authority.

IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the resolution authorizing all necessary actions related to the issuance and sale of the County of Los Angeles Redevelopment Refunding Authority Tax Increment Revenue Refunding

Bonds Series 2013 in an aggregate principal amount not exceed [$200 million] to fund the purchase of the Local Obligations.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Effective February 1, 2012, pursuant to Assembly Bill x1 26 ("AB 26"), redevelopment agencies throughout the State were abolished and prohibited from engaging in future redevelopment activities. AB 26 enabled the formation of Successor Agencies, which have the responsibility of winding down outstanding obligations of the former redevelopment agencies. AB 26 did not allow Successor Agencies to issue any new debt; however, the legislative language was unclear on whether a debt refinancing was considered a new debt issuance.

On June 27, 2012, the State passed Assembly Bill 1484 ("AB 1484"), which included provisions permitting Successor Agencies to refund outstanding bonds or other obligations of a former redevelopment agency to achieve savings. While Successor Agencies can refund their bonds utilizing their own staff, underwriters, lawyers and consultants, the Treasurer has developed the Los Angeles County Redevelopment Bond Refunding Program (the "Program") to assist Successor Agencies who may not have the staff or the time to pursue a refunding on their own. With this objective, the Treasurer has assembled a team of professionals with extensive experience in the area of redevelopment financing (the "County Financing Team") to facilitate the issuance of the 2013 Refunding Bonds. By using the County Financing Team and pooling individual Successor Agency refunding bonds together, the Program will provide significant cost savings while alleviating the participating Successor Agencies of the administrative burden of managing their own refinancing. Some of the key benefits inherent in the Program are as follows:

1. The County Financing Team will assume responsibility for marketing the refunding bonds, managing the credit rating process, and coordinating the approval process with the State Department of Finance.

2. Pooling participant Successor Agency refunding bonds together will achieve economies of scale, resulting in reduced costs of issuance for each participating Successor Agency.

3. The Treasurer will assume much of the continuing disclosure responsibility by serving as dissemination agent for the Local Obligations.

4. Structural enhancements, including the County's role in managing debt service, will improve the marketability of the refunding bonds and result in lower interest rates and increased savings.

In addition to the benefits highlighted above, the Program has also been successful in its outreach efforts with the various cities in Los Angeles County that now serve as Successor Agencies. Of the 71 Successor Agencies in Los Angeles County, 69 are now governed by the city that originally sponsored the formation of the original redevelopment agency. The Treasurer has reviewed its Program with more than 50 of these Successor Agencies and worked with each city on the various options they have with respect to managing their outstanding bond obligations. As will be more fully discussed below, many successor agencies that were not able to participate in the initial 2013 Refunding are still considering a future refunding either through the Program or on a stand-alone basis.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal #1: Operational Effectiveness through collaborative actions between the County and cities to refinance outstanding bond obligations of various Successor Agencies, and the County's Strategic Plan Goal #2: Fiscal Sustainability by securing additional property tax revenue for the local taxing entities, including the County General Fund.

FISCAL IMPACT/FINANCING

The proposed refunding transaction is scheduled to close in December 2013 (the "2013 Refunding") and is expected to include the following seven (7) Successor Agencies: Alhambra, Claremont, Covina, CRA/Los Angeles, Lynwood, Monterey Park, and West Hollywood. Each of these participating Successor Agencies has obtained their respective governing board and oversight board approvals for the proposed financing. The Successor Agencies for Montebello and South Gate, each of which had previously expressed interest in joining the Program, have opted not to participate in the 2013 Refunding. It is expected that South Gate will pursue a refunding through the Program in 2014.

Successor Agency	*Redevelopment Project*	*Refunding PAR Amount*	*Projected Gross Debt Service Savings*
Alhambra	Industrial Redevelopment Project	$ 28,180,000	5,842,000
Claremont	Consolidated Redevelopment Project	5,375,000	421,000
Covina	Project No. 1	13,521,000	1,174,000
CRA/Los Angeles	Adelante Eastside	4,360,000	1,537,000
	Hollywood	27,545,000	1,386,000
	Little Tokyo	8,660,000	1,475,000
	Mid City	5,365,000	2,232,000
	North Hollywood	18,775,000	1,895,000
Lynwood	Alameda Project	850,000	68,000
	Project Area A	9,865,000	1,168,000
Monterey Park	Atlantic-Garvey Project	15,080,000	1,261,000
	Merged Area	7,955,000	396,000
West Hollywood	East Side Project	9,465,000	497,000
	TOTAL	$ 154,996,000	$ 19,352,000

The total projected debt service savings depicted in the table above will translate to additional property tax revenue for the local taxing agencies that have jurisdiction over the redevelopment project areas. By lowering the amount of future principal and interest payments on their tax allocation bonds, the participating Successor Agencies will be able to reduce the amount requested on their semi-annual Recognized Obligation Payment Schedules ("ROPS"). This will result in a smaller claim on tax increment revenues and an increased residual distribution to those local agencies that receive a share of the ad valorem property tax.

Of the projected [$20 million] in savings, the cities that sponsored the original redevelopment agencies are expected to receive anywhere between [10% and 25%] of the additional property tax revenues. The County itself can expect to receive approximately [25%] of the gross debt service savings, which will result in more than [$5 million] of additional property tax revenue over the life of the bonds. The County General Fund will receive the greatest share of this [$5 million], but certain amounts will also benefit the Flood Control District, Consolidated Fire Protection District, and County Library District.

The additional property tax revenue generated by the 2013 Refunding represents the first installment from what is expected to be a multi-year refunding program. Research conducted by the County Financing Team indicates that the former redevelopment agencies in Los Angeles County have more than 300 series of tax allocation bonds still outstanding. It is anticipated that many Successor Agencies that did not participate in the 2013 Refunding will elect to join future refundings once the initial transaction has proven to be successful. Furthermore, the Treasurer has observed that several Successor Agencies that previously weren't inclined to pursue a bond refunding are now exploring the possibility of a stand-alone financing outside of the County's Program. While such refundings are not likely to be as efficient as those completed through the Program, the debt service savings will still benefit the same local taxing entities, including the County General Fund. It is the goal of the Treasurer's Office to complete two additional pooled refundings through the Program in calendar 2014.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The 2013 Refunding Bonds will be issued pursuant to Health and Safety Code Section 34177.5 and Government Code Sections 53580. Utilizing a Marks-Roos structure, the Authority will issue multiple series of tax increment revenue refunding bonds, whereby participating Successor Agencies with similar credits will be pooled together into larger issuances in order to attract greater investor demand. Under no circumstances will either the County or the Authority be responsible for funding the debt service payments on the 2013 Refunding Bonds. Furthermore, there will be no cross-collateralization of the various Local Obligations and no tax increment revenues of one Successor Agency will be used to pay for the obligations of another.

The following legal documents for the transaction have been prepared and are being submitted to your Board for approval:

Local Obligation Purchase Contract. The Local Obligation Purchase Contract specifies the purchase price of the Local Obligations to be paid by the Authority, the interest rates, maturity dates and principal amounts of each maturity of the Local Obligations, the date, time and place of the closing of the Local Obligation bond issue, the allocation of the expenses incurred in connection with the Local Obligations, the parties' representations to and agreements with each other and the conditions which each participating Successor Agency must satisfy before the Authority becomes obligated to purchase the Local Obligations.

Continuing Disclosure Agreement. Federal securities laws indirectly require issuers of bonds to disclose and annually update certain financial and operating information relevant to the security and repayment of bonds. The Continuing Disclosure Agreement contains the undertakings of the participating Successor Agencies and the Authority to provide the ongoing disclosure in the form of annual reports and event notices.

Trust Agreement. The Trust Agreement sets forth the terms of the bonds to be issued by the Authority, including the interest payments and redemption provisions, if any, the security provisions for the 2013 Refunding Bonds, the covenants of the Authority to Authority bond owners and provisions relating to the holding and distribution of funds to repay the 2013 Refunding Bonds.

Bond Purchase Agreement and Letter of Representations. The Bond Purchase Agreement specifies the purchase price of the 2013 Refunding Bonds to be paid by the underwriters, the interest rates, maturity dates and principal amounts of each maturity of the 2013 Refunding Bonds, the date, time and place of the closing of the bond issue, the allocation of the expenses incurred in connection with the bond issue, the parties' representations to and agreements with each other and the conditions which the Authority must satisfy before the underwriters become obligated to purchase the 2013 Refunding Bonds. The Letter of Representations, a form of which is included in the Bond Purchase Agreement, provides certain representations and warranties that each participating Successor Agency will be providing to the Authority and the underwriters.

Official Statement and Successor Agency Disclosure Appendix. The Official Statement (in its preliminary and final form) is used to provide information to investors and prospective investors about, among other things, the Authority and the 2013 Refunding Bonds. The 2013 Refunding Bonds constitute securities for purposes of state and federal securities laws and, therefore, the offering and sale of the bonds through the Official Statement is subject to certain provisions of such laws, including, importantly, the anti-fraud laws. The Official Statement sets forth information about the terms of the 2013 Refunding Bonds, the security for the bonds, the sources and uses of the proceeds of the bonds to be issued by the Authority and the tax-exemption of interest on such bonds. The disclosure appendix for each participating Successor Agency, which will be included as an appendix to the Official Statement, provides information as to the participating Successor Agency and its Local Obligations, the applicable redevelopment plan and project area or project areas, the tax increment revenues and the documents under which the Local Obligations are issued.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Not applicable.

CONCLUSION

Upon approval, it is requested that the Executive Officer-Clerk of the Board of Supervisors return two originally executed copies of the adopted resolution to the Treasurer and Tax Collector (Office of Public Finance).

Respectfully submitted,

MARK J. SALADINO
Treasurer and Tax Collector

Attachments

c: Executive Officer, Board of Supervisors
Chief Executive Officer
County Counsel
Auditor-Controller
Orrick, Herrington & Sutcliffe LLP