ADMINISTRATIVE EXEMPTION and TRADE, TRAVEL, AND TOURISM COMMITTEE REPORT relative to the Port of Los Angeles (POLA) issuing 2019 Refunding Revenue Bonds to replace higher interest rate debt with lower interest debt.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. ADOPT the determination by the Board of Harbor Commissioners that the proposed action is administratively exempt under the California Environmental Quality Act (CEQA) in accordance with Article II, Section 2.f of the Los Angeles City CEQA Guidelines.

2. APPROVE Port Resolution Nos. 19-9497 and 19-9498 authorizing the issuance and sale of 2019 Refunding Revenue Bonds to replace higher interest rate debt with lower interest debt, reducing debt service payments by the POLA.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that this action will not impact the General Fund. Replacing or refunding the existing bonds with new bonds will lower interest rates and reduce debt service costs. The refunding of the 2009 Series A and C Bonds is expected to result in a combined present value savings of approximately $35,467,327 or 16.5 percent of the bonds to be refunded with an average annual debt service savings of $4,190,500. POLA estimates that the interest cost of issuing the bonds for the combined transactions will be approximately 1.87 percent. Authority is requested for an amount not to exceed $217,000,000 in refunding for the combine bond series to cover any rise in interest costs as well as costs associated with the issuance of the refunding bonds. The proposed bond transactions will not change the maturity of these bonds or result additional debt. All transactions-related costs will be paid from the bond proceeds.

Community Impact Statement: None submitted.

TIME LIMIT FILE – AUGUST 30, 2019

(LAST DAY FOR COUNCIL ACTION - AUGUST 30, 2019)

SUMMARY

In a report to the Mayor dated July 17, 2019, the CAO states POLA requests approval of the issuance and sale of the 2009 Refunding Revenue Bonds to refund (refinance) existing outstanding debt. The outstanding principal amount of the 2009 Series A and Series C Bonds is $235,200,000. After a debt service payment in August, 2019, a balance of $220,595,000 in principal bond amount will be outstanding. According to POLA, $5,000,000 of the 2009 Series C Bonds is non-callable, which is a security that cannot be redeemed by the issuer prior to maturity. This leaves a balance of $215,595,000 for the 2019 Refunding Revenue Bonds.

The CAO reports that the proposed bond refunding is expected to result in present value savings of approximately $35,467,327 or 16.5 percent of the bonds. The 16.5 percent in present value savings of the original bond issuance exceeds the target rate in POLA's financial policies. The interest cost of issuing the bonds for the combined transactions will be approximately 1.87 percent.
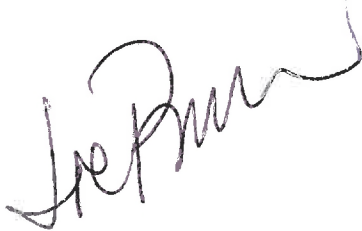
According to the CAO, a bond refunding is a process by which existing bonds are replaced with new bonds that are sold at lower interest rates, thereby reducing debt service costs. The purpose of the proposed refunding is to refinance a portion of the higher costs of outstanding POLA debt in order to reduce the associated borrowing costs. The proposed transactions will not result in additional debt and will replace more costly debt obligations with less expensive bonds. Bond revenue is used by POLA to fund the acquisition, construction, and equipment for various Port-related capital improvement projects, including environmental mitigation measures.

On June 20, 2019, the Board of Harbor Commissioners approved POLA's request. The CAO concurs with this action.

At its meeting held August 6, 2019, the Trade, Travel, and Tourism Committee recommended that Council authorize POLA to issue and sell the refund revenue bonds, as recommended by the Board of Harbor Commissioners and the CAO.

Respectfully Submitted,

TRADE, TRAVEL, AND TOURISM COMMITTEE

MEMBER   VOTE
BUSCAINO: YES
BONIN: YES
KREKORIAN: ABSENT

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-NOT OFFICIAL UNTIL COUNCIL ACTS-