

CITY OF LOS ANGELES

CALIFORNIA



ERIC GARCETTI
MAYOR

HOLLY L. WOLCOTT
City Clerk

GREGORY R. ALLISON
Executive Office

When making inquiries relative to
this matter, please refer to the
Council File No.

Office of the
CITY CLERK

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SHANNON HOPPES
Council and Public Services
Division

www.cityclerk.lacity.org

September 12, 2014

To All Interested Parties:

The City Council adopted the action(s), as attached, under Council File No. 14-1092, at its meeting held August 29, 2014.

City Clerk
wrq

TIME LIMIT FILES
ORDINANCES

OFFICE OF THE MAYOR
RECEIVED
Mayor's Time Stamp
2014 AUG 29 PM 5:45
CITY OF LOS ANGELES

CITY CLERK'S OFFICE
City Clerk's Time Stamp
2014 AUG 29 PM 5:43
CITY CLERK
BY _____ DEPUTY

COUNCIL FILE NUMBER 14-1092 COUNCIL DISTRICT _____

COUNCIL APPROVAL DATE August 29, 2014 LAST DAY FOR MAYOR TO ACT SEP 08 2014

ORDINANCE TYPE: Ord of Intent Zoning Personnel General

Improvement LAMC LAAC CU or Var Appeals - CPC No. _____

SUBJECT MATTER: AUTHORIZATION TO ISSUE UP TO \$200 MILLION IN MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES LEASE REVENUE BONDS, SERIES 2014 (CAPITAL EQUIPMENT), SERIES 2014-A (REAL PROPERTY) AND REFUNDING SERIES 2014-B (REAL PROPERTY)

183211; Effective: 9-11-14
183212; Effective: 10-12-14
183213; Effective: 10-12-14

PLANNING COMMISSION
DIRECTOR OF PLANNING
CITY ATTORNEY
CITY ADMINISTRATIVE OFFICER
OTHER

	APPROVED	DISAPPROVED
_____	_____	_____
_____	_____	_____
_____ X _____	_____	_____
_____	_____	_____
_____	_____	_____

RECEIVED
CITY CLERK'S OFFICE
2014 SEP - 8 PM 2:11
CITY CLERK
BY _____ DEPUTY

DATE OF MAYOR APPROVAL, DEEMED APPROVED OR *VETO SEP 08 2014
(*VETOED ORDINANCES MUST BE ACCOMPANIED WITH OBJECTIONS IN WRITING PURSUANT TO CHARTER SEC. 250(b)(c)

(CITY CLERK USE ONLY PLEASE DO NOT WRITE BELOW THIS LINE)

DATE RECEIVED FROM MAYOR SEP - 8 2014 ORDINANCE NO. 's See Above

DATE PUBLISHED SEP 11 2014 DATE POSTED _____ EFFECTIVE DATE See Above

ORD OF INTENT: HEARING DATE _____ ASSESSMENT CONFIRMATION _____

ORDINANCE FOR DISTRIBUTION: YES NO

4

BUDGET AND FINANCE COMMITTEE REPORT, RESOLUTIONS, AND ORDINANCES FIRST CONSIDERATION relative to authorization to issue up to \$200 million in Municipal Improvement Corporation of Los Angeles (MICLA) Lease Revenue Bonds, Series 2014 (Capital Equipment), Series 2014-A (Real Property) and Refunding Series 2014-B (Real Property).

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

1. PRESENT and ADOPT the accompanying ORDINANCES relative to issuance of MICLA Lease Revenue Bonds, Series 2014-A and 2014-B amending two ordinances for the lease/leaseback of real properties, approving the lease/leaseback of real properties and amending the Los Angeles Administrative Code (LAAC) to add Sections 5.162.34 and 5.162.35 to create related special funds.
2. PRESENT and ADOPT the accompanying ORDINANCE amending the LAAC to add Section 5.162.33 to create a special fund related to the lease of equipment from MICLA to the City.
3. ADOPT the accompanying AUTHORIZING RESOLUTIONS, including various documents required for the execution of the bonds, which authorizes the issuance of up to \$200 million in MICLA Lease Revenue Bonds.
4. AUTHORIZE the City Administrative Officer (CAO) to pay Fiscal Year 2014-15 debt service on the bond issuance from monies in the Capital Finance Administration Fund (Fund 100/53).
5. AUTHORIZE the Controller to create three new accounts in the Capital Finance Administration Fund that will be used to pay for future debt service: MICLA 2014 Commercial Paper Capital Equipment Refinancing), MICLA 2014-A (Commercial Paper Real Property Refinancing), MICLA 2014-B (Refunding of MICLA Series 2002-AT, 200-AV, and 2003-AW).

Fiscal Impact Statement: The CAO reports that the issuance of up to \$200 million in MICLA Lease Revenue Bonds Series 2014 (Capital Equipment), Series 2014-A (Real Property) and Refunding Series 2014-B (Real Property) will be an obligation of the General Fund and the resulting debt service will be paid from funds in the Capital Finance Administration Fund (CFAF). The total debt service for Fiscal Year 2014-15 is projected to be approximately \$13.4 million for Series 2014 (Capital Equipment), Series 2014-A (Real Property) and Refunding Series 2014-B (Real Property) which is budgeted in the 2014-15 CFAF.

Debt Impact Statement: The CAO reports that the issuance of up to \$200 million in MICLA Lease Revenue Bonds Series 2014, Series 2014-A and Refunding Series 2014-B will not cause the City's debt service payments to exceed six percent of General Fund revenues for non-voter approved debt as established in the City's Financial Policies, Debt Management Section. The debt service for Fiscal Year 2014-15 is projected to be approximately \$13.4 million for Series 2014 (Capital Equipment), Series 2014-A (Real Property) and Refunding Series 2014-B (Real Property). During the life of the bonds, the average annual debt service will be approximately \$8.1 million for Series 2014 (Capital Equipment) over 10 years, \$4.1 million for Series 2014-A over 20 years and \$3.7 million for Refunding Series 2014-B over 18 years. Based on current

market rates, the interest savings for the potential refunding of outstanding MICLA Series 2002-AT, 2003-AV, and 2003-AW bonds is approximately \$9.7 million over the life of the bonds. The average annual interest savings from the potential refunding is approximately \$539,000.

Community Impact Statement: None submitted.

SUMMARY

At its meeting of August 11, 2014, the Budget and Finance Committee considered a CAO report and Authorizing Resolutions and two City Attorney reports with three accompanying Ordinances. The CAO is requesting authority to issue up to \$200 million in MICLA fixed-rate lease revenue bonds to: 1) refinance (refund) outstanding MICLA Commercial Paper (CP) notes used for the acquisition of capital equipment and the construction of capital improvements to certain City facilities, and 2) to refund approximately \$51.2 million of outstanding MICLA bonds to achieve interest savings, subject to the refunding parameters in the City's Debt Management Policy.

During Committee discussion, a CAO representative provided an overview of the request and responded to related questions from Committee members. After consideration and having provided an opportunity for public comment, the Budget and Finance Committee recommended approval of the recommendations contained in the CAO report and approval of the accompanying Resolutions and Ordinances. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

BUDGET AND FINANCE COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
KREKORIAN:	YES
ENGLANDER:	YES
KORETZ:	ABSENT
BLUMENFIELD:	YES
BONIN:	ABSENT

ep

14-1092 8-11-14

ADOPTED
** as Amended*
AUG 29 2014
see attached Motion
LOS ANGELES CITY COUNCIL

TO THE MAYOR FORTHWITH

-NOT OFFICIAL UNTIL COUNCIL ACTS-

MOTION

I HEREBY MOVE that Council AMEND the Budget and Finance Committee Report to substitute the accompanying revised Ordinance for the issuance of lease revenue bonds by the Municipal Improvements Corporation of Los Angeles (MICLA) by amending two ordinances to continue the leasing and subleasing of real property pursuant to leases and subleases between the City of Los Angeles (City) and MICLA, and approving the lease and sublease of certain real properties by the City, to and from MICLA, as lessee and sublessor, SUBJECT TO THE APPROVAL OF THE MAYOR.

PRESENTED BY _____

PAUL KREKORIAN
Councilmember, 2nd District

SECONDED BY _____

HERB WESSON
Councilmember, 10th District

August 29, 2014

CF 14-1092

ADOPTED

AUG 29 2014

LOS ANGELES CITY COUNCIL

TO THE MAYOR FORTHWITH

RESOLUTION OF THE COUNCIL OF THE CITY OF LOS ANGELES, CALIFORNIA APPROVING THE ISSUANCE AND SALE OF NOT TO EXCEED \$115,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF MUNICIPAL IMPROVEMENT CORPORATION OF LOS ANGELES LEASE REVENUE BONDS, SERIES 2014-A (REAL PROPERTY) AND LEASE REVENUE BONDS, REFUNDING SERIES 2014-B (REAL PROPERTY), APPROVING THE FORM AND AUTHORIZING THE PREPARATION OF A PRELIMINARY OFFICIAL STATEMENT AND THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT, AN INDENTURE, TWO SEPARATE SITE LEASES, TWO SEPARATE FACILITY LEASE AGREEMENTS, AN ASSIGNMENT AGREEMENT, ONE OR MORE BOND PURCHASE AGREEMENTS, THREE SEPARATE ESCROW AGREEMENTS AND A CONTINUING DISCLOSURE CERTIFICATE RELATING TO THE BONDS, AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

WHEREAS, the City of Los Angeles, a municipal corporation and charter city organized and existing under the Constitution and laws of the State of California (the "City"), may enter into lease and lease-purchase agreements as lessee with any person, firm, corporation or public agency to acquire, construct, install or improve any real property necessary or useful for the municipal purposes of the City; and

WHEREAS, the City is using certain real property (the "*Series 2014-A Project*") purchased and financed through the issuance of commercial paper heretofore caused to be executed and delivered by the Municipal Improvement Corporation of Los Angeles ("MICLA"), which commercial paper the City and MICLA wish to refinance; and

WHEREAS, the City proposes to refinance the *Series 2014-A Project* through the issuance and sale by MICLA of its Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Series 2014-A (Real Property) (the "*Series 2014-A Bonds*"); and

WHEREAS, the City proposes to refinance the acquisition and/or improvement of certain real property and improvements (the "*Refinanced Property*") and prepay certain outstanding certificates of participation or leasehold refunding revenue bonds heretofore caused to be executed and delivered by MICLA through the issuance by MICLA of its Municipal Improvement Corporation of Los Angeles Lease Revenue Bonds, Refunding Series 2014-B (Real Property) (the "*Series 2014-B Bonds*" and collectively with the Series 2014-A Bonds, the "*Bonds*"); and

WHEREAS, under the City's proposed refinancing structure for the *Series 2014-A Project*, the City will first lease to MICLA certain real property and improvements owned by the City (collectively, the "*Series 2014-A Property*"), pursuant to a Site Lease, dated as of September 1, 2014 (the "*Series 2014-A Site Lease*"), between the City, as lessor, and MICLA, as lessee; and

WHEREAS, the City will then sublease the Series 2014-A Property back from MICLA pursuant to a Facility Lease Agreement, dated as of September 1, 2014 (the "*Series 2014-A Facility Lease Agreement*"), between MICLA, as lessor, and the City, as lessee; and

WHEREAS, under the City's proposed refinancing of the Refinanced Property, the City will first lease to MICLA certain real property owned by the City (the "*Series 2014-B Property*") pursuant to a Site Lease, dated as of September 1, 2014 (the "*Series 2014-B Site Lease*," and collectively with the Series 2014-A Site Lease, the "*Site Leases*"), between the City, as lessor, and MICLA, as lessee; and

WHEREAS, the City will then sublease the Series 2014-B Property back from MICLA, pursuant to a Facility Lease Agreement, dated as of September 1, 2014 (the "*Series 2014-B Facility Lease Agreement*"), and collectively with the Series 2014-A Facility Lease Agreement, the "*Facility Lease Agreements*"; the Facility Lease Agreements being collectively referred to herein as the "*Leases*"), between MICLA, as lessor, and the City, as lessee; and

WHEREAS, MICLA will pledge and assign the Basic Lease Payments received from the City under the Facility Lease Agreements to U.S. Bank National Association, as trustee (the "*Trustee*") under the Indenture, dated as of September 1, 2014 (the "*Indenture*"), by and among MICLA, the City and the Trustee for the benefit of the owners of the Bonds; and

WHEREAS, MICLA will assign its rights under the Facility Lease Agreements and the Site Leases to the Trustee for the benefit of the owners of the Bonds pursuant to an Assignment Agreement, dated as of September 1, 2014 (the "*Assignment Agreement*"), between MICLA, as assignor, and the Trustee, as assignee; and

WHEREAS, the Council finds, pursuant to Charter section 371(e)(10), that due to current market conditions the use of competitive bidding to sell the Bonds would be undesirable and impractical and that it is in the best financial interest of the City to propose to sell the Bonds through a negotiated sale pursuant to one or more Bond Purchase Agreements (the "*Bond Purchase Agreements*") by and among the City, MICLA, and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Loop Capital Markets LLC, and Ramirez & Company, Inc., respectively (together, the "*Underwriters*"); and

WHEREAS, the City will distribute a preliminary official statement (the "*Preliminary Official Statement*") and a final official statement (the "*Official Statement*") relating to the Bonds to prospective and actual purchasers of the Bonds; and

WHEREAS, the City and MICLA will enter into separate escrow deposit agreements (collectively, the "*Escrow Agreements*") with U.S. Bank National Association and The Bank of New York Mellon Trust Company, N.A., to effect the prepayment of one or more series of outstanding certificates of participation or leasehold refunding revenue bonds heretofore caused to be executed and delivered by MICLA; and

WHEREAS, the City will execute and deliver a continuing disclosure certificate (the "*Continuing Disclosure Certificate*") for the benefit of the Owners (as defined in the Indenture)

of the Bonds and in order to assist the Underwriters in complying with Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("*Rule 15c2-12*"); and

WHEREAS, all acts, conditions and things required by the Constitution, laws of the State of California and the Charter of the City to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LOS ANGELES, as follows:

Section 1. The Preliminary Official Statement relating to the Bonds, copies of which are before this Council and on file in the Office of the City Administrative Officer, is hereby approved. The City Administrative Officer, any Assistant City Administrative Officer or any of their designees (each, an "*Authorized Representative*") are each hereby authorized and directed to cause the printing of, and to distribute, a Preliminary Official Statement in substantially said form with such changes therein and additions thereto as an Authorized Representative may approve and as are approved by the City Attorney, to persons who may be interested in purchasing the Bonds. Upon approval of such additions and changes by an Authorized Representative and the City Attorney, the Preliminary Official Statement shall be deemed final as of its date by an Authorized Representative, as evidenced by a certificate to such effect, except for the omission of certain information as provided in and pursuant to Rule 15c2-12. Each Authorized Representative, for and on behalf of the City and MICLA, is hereby authorized to cause the preparation of and execute the Official Statement, in substantially the form of the Preliminary Official Statement, with such additions and changes therein as he or she, with the advice of the City Attorney, may require or approve, such approval to be conclusively evidenced by execution and delivery thereof.

Section 2. The Bond Purchase Agreements, pursuant to which the Bonds will be sold to the Underwriters, the forms of which are on file in the Office of the City Administrative Officer, are hereby approved. Each Authorized Representative, acting alone, is hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver the Bond Purchase Agreements, and the City Clerk or any deputy or assistant (each, the "*City Clerk*") is authorized to attest to the Bond Purchase Agreements, which shall be substantially in the forms presented to this meeting, with such additions and changes therein as such Authorized Representative shall approve as being in the best interests of the City, and as are approved as to form by the City Attorney, such approval to be conclusively evidenced by such Authorized Representative's execution and delivery of the Bond Purchase Agreements. The underwriters' discount under the Bond Purchase Agreements shall not exceed 2.00% of the principal amount of the Bonds, the interest rate on the Bonds shall not exceed the maximum legal rate, and the final maturity of the Bonds shall not be later than 40 years following their date of issuance.