



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the

Board of Harbor Commissioners

DATE: DECEMBER 11, 2012

FROM: DEBT AND TREASURY

SUBJECT: RESOLUTION NO. _____ AUTHORIZING THE EXECUTION OF THE CONTINUING DISCLOSURE CERTIFICATE, THE LETTER OF REPRESENTATION, CERTAIN DISCLOSURE CONCERNING THE FINANCES AND OPERATIONS OF THE CITY OF LOS ANGELES HARBOR DEPARTMENT AND THE NON-ASSIGNMENT AGREEMENT, IF REQUIRED, IN CONNECTION WITH THE ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY'S ISSUANCE AND SALE OF TAX-EXEMPT SENIOR LIEN REVENUE REFUNDING BONDS

SUMMARY:

Given the favorable interest rates in the current market environment, the Alameda Corridor Transportation Authority (ACTA) is proposing to refund about \$288 to \$315 million of its 1999A Revenue Bonds, in order to take advantage of about \$35.1 million in present value savings, based on the issuance of \$288 million in refunding bonds. In connection with this financing, the City of Los Angeles Harbor Department (Harbor Department) is being asked to approve the attached proposed Resolution that authorizes the documentary support for the proposed refunding transaction. This proposed Resolution will authorize the execution of the Continuing Disclosure Certificate, the Letter of Representation, certain disclosures concerning Harbor Department finances and operations that will be contained in the Preliminary Official Statement, the Official Statement, and the Non-Assignment Agreement, if required, in connection with the issuance and sale by ACTA of its tax-exempt senior revenue refunding bonds, Series 2013A (2013 ACTA Bonds), for the purpose of refunding all or a portion of the Series 1999A Current Interest Bonds.

RECOMMENDATION:

It is recommended that the Los Angeles Board of Harbor Commissioners (Board):

1. Authorize the execution and delivery of the Continuing Disclosure Certificate, the Letter of Representation, the Non-Assignment Agreement, if required, and other related documents and certificates in connection with the issuance and sale of the 2013 ACTA Bonds and authorize the City of Los Angeles Harbor Department's Executive Director or Chief Financial Officer, each of them acting individually, to comply with the terms and intent of the Board's Resolution, to assist ACTA in the

SUBJECT: TO AUTHORIZE THE EXECUTION OF CERTAIN DOCUMENTS IN RELATION TO ISSUANCE OF 2013 ACTA BONDS

issuance of the 2013 ACTA Bonds, to execute and deliver any documents or instruments related thereto and to take such other actions as may be deemed necessary or desirable in order to carry out the purposes of the Board's Resolution subject to: (i) approval of the issuance of the 2013 ACTA Bonds by ACTA; and (ii) the conditions set forth in the Resolution;

2. Approve certain disclosure relating to the finances and operations of the City of Los Angeles Harbor Department to be contained in the Preliminary Official Statement and the Official Statement for the 2013 ACTA Bonds under the caption entitled "THE PORT OF LOS ANGELES" set forth in "APPENDIX B — DESCRIPTION AND AUDITED FINANCIAL STATEMENTS OF THE PORT OF LOS ANGELES" previously provided to the Harbor Department, with such changes thereto as the Executive Director or the Chief Financial Officer may require or approve; and
3. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – ACTA financed the construction of a freight expressway corridor connecting the rail system near downtown Los Angeles to the Ports of Los Angeles and Long Beach by issuing several series of revenue bonds in 1999, which included \$494.89 million of initial principal amount of its Alameda Corridor Transportation Authority Tax-Exempt Senior Lien Revenue Bonds, Series 1999A (Series 1999A Bonds). The Series 1999A Bonds include Current Interest Bonds (Series 1999A Current Interest Bonds), of which \$288.9 million aggregate principal amount are currently outstanding and subject to redemption. ACTA intends to issue the 2013 ACTA Bonds to, among other things, refund the Series 1999A Current Interest Bonds.

The Harbor Department and the Port of Long Beach (POLB), are obligated under the terms of the Alameda Corridor Use and Operating Agreement, to make certain payments, known as Shortfall Advances, if ACTA's use fees and container charges are not sufficient to meet scheduled debt service payments on ACTA's bonds. The Shortfall Advances are limited to 40% of the debt service on ACTA's bonds (each Port being obligated to pay 20%). The primary purpose of issuing the 2013 ACTA Bonds is to reduce ACTA's interest costs thereby reducing the projected amount of possible Shortfall Advances payable by the Harbor Department and POLB in the future.

On November 8, 2012, ACTA's Governing Board (ACTA Board) approved the refunding of the Series 1999A Current Interest Bonds, with coupon rates ranging from 4.75% to 5.25%. The structure of the 2013 ACTA Bonds is expected to have a true interest cost of 3.51% and generate a present value savings of about \$35.1 million, or

SUBJECT: TO AUTHORIZE THE EXECUTION OF CERTAIN DOCUMENTS IN RELATION TO ISSUANCE OF 2013 ACTA BONDS

12.1%, based on an issuance of \$288 million of 2013 ACTA Bonds. Annual cash flow savings are projected to be \$1.3 million in fiscal years 2014 through 2019, and \$3.5 million in fiscal years 2020 through 2030. This anticipated savings compares favorably with the Harbor Department's Financial Policies wherein a minimum of 3% of present value savings must be achieved in order to undertake a refunding. POLB's Harbor Commission approved a similar resolution on December 3, 2012.

ACTA has put together a financing team and is proposing to issue the 2013 ACTA Bonds in an approximate aggregate principal amount not to exceed \$315 million. Depending on market conditions and credit ratings received by ACTA, ACTA plans to refund all of the Series 1999A Current Interest Bonds. ACTA will present their plans to the rating agencies during mid-December, and anticipates pricing the 2013 ACTA Bonds in January 2013 and close the deal in early February 2013.

Annually, the Harbor Department contributes information to ACTA's continuing disclosure report prepared for the benefit of ACTA's bond holders. This information consists of updates to the Harbor Department's annual financial and operating data. In connection with the issuance and sale of the 2013 ACTA Bonds, the form of the Continuing Disclosure Certificate requires that the Harbor Department, acting by and through the Board, agree to provide similar information to the holders of the 2013 ACTA Bonds.

Implications of this Action -- By this action, the Board authorizes the Harbor Department staff to: (a) carry out and comply with the terms and intent of the Resolution (Transmittal 1) and to assist ACTA in the issuance of the 2013 ACTA Bonds, subject to the conditions set forth in the Resolution; and (b) execute and deliver the Continuing Disclosure Certificate (Transmittal 2), the Letter of Representation (Transmittal 3), certain disclosures concerning the finances and operations of the Port of Los Angeles and the Harbor Department to be contained in the Preliminary Official Statement and the Official Statement (Transmittal 4), the Non-Assignment Agreement (Transmittal 5), if required, and any other documents in connection with the issuing of 2013 ACTA Bonds.

The Continuing Disclosure Certificate would obligate the Harbor Department to update and disclose annually certain information about the Harbor Department finances and operations contained in the Preliminary Official Statement and the Official Statement for the 2013 ACTA Bonds and to provide notice of certain enumerated events in accordance with Securities and Exchange Commission regulations.

The Letter of Representation sets forth certain representations of the Harbor Department on matters requested by the underwriters of the 2013 ACTA Bonds, such as the financial condition and results of operations of the Harbor Department.

SUBJECT: TO AUTHORIZE THE EXECUTION OF CERTAIN DOCUMENTS IN
RELATION TO ISSUANCE OF 2013 ACTA BONDS

The Non-Assignment Agreement, if required by the provider of any bond insurance or debt service reserve surety policy for the 2013 ACTA Bonds, is in substantially the form approved by the Board in connection with the 2004 ACTA Bonds financing, in which the Board agreed not to transfer its obligations under the Alameda Corridor Use and Operating Agreement without the prior written consent of the bond insurer for the 2004 ACTA Bonds.

ENVIRONMENTAL ASSESSMENT:

The proposed action is approval of a resolution that provides documentary support for a proposed refund of 1999A Revenue Bonds by ACTA. As an administrative activity, the Director of Environmental Management has determined that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

ECONOMIC BENEFITS:

This Board action will have no direct employment impact .

FINANCIAL IMPACT:

Without the proposed financing, ACTA's Shortfall Advance requirements from the Harbor Department were projected to be zero from fiscal year 2014 to fiscal year 2020 due in large part to an \$83.7 million loan obtained from the Federal Railroad Administration (FRA) in July 2012. For fiscal years 2021 and 2022, Shortfall Advances were estimated to be \$1.4 million and \$2.8 million, respectively, which would be split evenly between the Harbor Department and POLB. Shortfall Advances were not expected in the subsequent fiscal years.

As a result of the proposed financing, it is projected that there will be no Shortfall Advance requirements from fiscal years 2014 to 2038. Previously, the Harbor Department and POLB each paid ACTA a Shortfall Advance of \$2.95 million in September 2011 and the same amount again in September 2012.

The Series 1999A bonds have coupon rates ranging from 4.75% to 5.25%. The structure of the 2013 ACTA Bonds is expected to have a true interest cost of 3.51% and generate a present value savings of about \$35.1 million, or 12.1%, based on an issuance of \$288 million of 2013 ACTA Bonds. Annual cash flow savings are projected

SUBJECT: TO AUTHORIZE THE EXECUTION OF CERTAIN DOCUMENTS IN RELATION TO ISSUANCE OF 2013 ACTA BONDS

to be \$1.3 million in fiscal years 2013 through 2019, and \$3.4 million for fiscal years 2020 through 2030, resulting in a projected \$4.2 million of reduced Shortfall Advances for debt service payments from 2014 through 2038 for the Harbor Department.

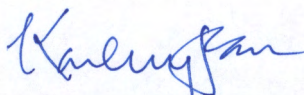
CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the Resolution as to form and legality and the Continuing Disclosure Certificate as to form and legality.

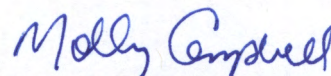
TRANSMITTALS:

1. Resolution No. _____
2. Continuing Disclosure Certificate
3. Letter of Representation
4. Certain Disclosure Concerning the Finances and Operations of the Port of Los Angeles and the Harbor Department to be contained in the Preliminary Official Statement and the Official Statement
5. Non-Assignment Agreement

FIS Approval: KY (initials)
CA Approval: MC (initials)

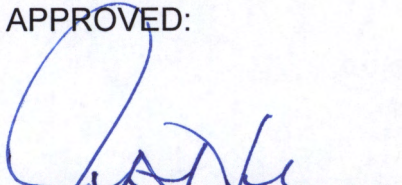


KARL K. Y. PAN
Chief Financial Officer



MOLLY CAMPBELL
Deputy Executive Director

APPROVED:



GERALDINE KNATZ, Ph.D.
Executive Director