



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: JULY 9, 2024

FROM: DEBT & FINANCIAL ANALYSIS

SUBJECT: RESOLUTION NO. _____ AUTHORIZING THE APPOINTMENT OF UNDERWRITING FIRMS TO LEAD THE NEGOTIATED SALE IN CONJUNCTION WITH THE ISSUANCE OF THE CITY OF LOS ANGELES HARBOR DEPARTMENT 2024 REFUNDING REVENUE BONDS

SUMMARY:

Staff is requesting approval of a Resolution to appoint Jefferies LLC as senior manager, and Samuel A. Ramirez & Company, Inc. and Loop Capital Markets LLC as co-managers for the issuance of the City of Los Angeles Harbor Department's (Harbor Department) 2024 Refunding Revenue Bonds (2024 Refunding Bonds).

The 2024 Refunding Bonds will refund (i.e. refinance) all of the Harbor Department's 2014 Series A, B and C Bonds (the 2014 Bonds), which are currently outstanding in the principal amount of \$270,950,000. Following an August 1, 2024 debt service payment, \$264,695,000 in principal will be outstanding.

The total cost for the underwriting services will be approximately \$400,000 and will include compensation for all three firms, fees for underwriters' counsel, and other miscellaneous costs. These costs will be paid from the proceeds of the bond issuance.

RECOMMENDATION:

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

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Appoint the team of underwriting firms consisting of Jefferies LLC as senior manager, and Samuel A. Ramirez & Company, Inc., a Minority Business Enterprise (MBE), and Loop Capital Markets LLC, a Minority Business Enterprise (MBE) as co-managers for the negotiated sale of the Harbor Department's 2024 Refunding Revenue Bonds;
3. This Resolution and the selection of the underwriting firms shall be subject to the City Council oversight pursuant to Section 245 of the Charter; and

SUBJECT: AUTHORIZE THE APPOINTMENT OF UNDERWRITING FIRMS TO LEAD THE NEGOTIATED SALE OF THE CITY OF LOS ANGELES HARBOR DEPARTMENT 2024 REFUNDING REVENUE BONDS

4. Adopt Resolution No. _____.

DISCUSSION:

In May 2021, the Board approved Resolution No. 21-9827, which established a pool of 13 bond underwriters, valid for three years. Given that the Harbor Department is an infrequent issuer, it is important for both the Harbor Department and the underwriters to market the Harbor Department bonds to a wide audience, in particular to the retail investor market, in order to drive the overall cost of the bonds lower. Staff is recommending Jefferies LLC as senior manager, and Samuel A. Ramirez & Company, Inc. and Loop Capital Markets LLC as co-managers to serve as underwriters for the transaction. The proposed team was selected from the existing pool of underwriters based on their responses to a competitive solicitation.

Investment banks play a key role in the Harbor Department's financing team, acting as underwriters to assist in structuring, marketing and distributing the bonds. A negotiated sale allows flexibility in terms of the pricing date and helps reduce risk to the Department due to underwriting firms' ability to solicit orders in advance of the sale, all in support of obtaining the lowest cost of issuance for the Harbor Department. In a negotiated sale the senior underwriter will be responsible for taking into inventory any unsold bonds. The banks' market reach, access, and understanding of the needs of the investor base provide a direct benefit to the Harbor Department in the form of wide distribution and efficient cost of borrowing.

The underwriters will work with the other members of the financing team which includes KNN Public Finance as the Department's municipal advisor, and the firms of Hawkins Delafield & Wood LLP as bond counsel, and Kutak Rock LLP as disclosure counsel on this transaction. These members of the financing team were also selected through a competitive process.

Under the City of Los Angeles' (City) Responsible Banking Ordinance (RBO 182138), Section 20.95.1 was added to Chapter 5.1 of the Administrative Code to provide for the establishment of a Responsible Banking Investment Monitoring Program. The intent of the Responsible Banking Monitoring Program is to encourage community reinvestment by financial institutions and underwriters doing business in the City of Los Angeles. Jefferies LLC, Samuel A. Ramirez & Company, Inc. and Loop Capital Markets LLC have submitted all required documents in compliance with the City's RBO.

This Resolution shall take effect upon completion of the City Council oversight process pursuant to Section 245 of the Charter.

DATE: JULY 9, 2024

PAGE 3 OF 4

SUBJECT: AUTHORIZE THE APPOINTMENT OF UNDERWRITING FIRMS TO LEAD THE NEGOTIATED SALE OF THE CITY OF LOS ANGELES HARBOR DEPARTMENT 2024 REFUNDING REVENUE BONDS

ENVIRONMENTAL ASSESSMENT:

The proposed action is the appointment of an underwriting team to lead the negotiated sale of 2024 Refunding Revenue Bonds by the City of Los Angeles Harbor Department, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from CEQA in accordance with Article II Section 2 (f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed action will authorize the appointment of Jefferies LLC as senior manager, and Samuel A. Ramirez & Company, Inc. and Loop Capital Markets LLC as co-managers for the issuance of the Harbor Department 2024 Refunding Bonds.

Total costs for underwriting services will be approximately \$400,000 and will include compensation for all three firms, fees for underwriters' counsel, and other miscellaneous costs. These costs will be paid from the proceeds of the bond issuance.

DATE: JULY 9, 2024

PAGE 4 OF 4

SUBJECT: AUTHORIZE THE APPOINTMENT OF UNDERWRITING FIRMS TO LEAD THE NEGOTIATED SALE OF THE CITY OF LOS ANGELES HARBOR DEPARTMENT 2024 REFUNDING REVENUE BONDS

CITY ATTORNEY:

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

TRANSMITTAL:

1. Resolution No. _____

FIS Approval: JS
CA Approval: SO

Matthew Marchese

MATTHEW MARCHESE
Director of Debt and Financial Analysis

Jeffrey Strafford

JEFFREY STRAFFORD
Director of Financial Planning and Analysis
and Interim Chief Financial Officer

APPROVED:

Erica M. Calhoun for

EUGENE D. SEROKA
Executive Director