



**THE PORT
OF LOS ANGELES**
Executive Director's
Report to the
Board of Harbor Commissioners

DATE: NOVEMBER 13, 2023

FROM: EXECUTIVE OFFICE

SUBJECT: RESOLUTION NO. _____ APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION WITH THE ISSUANCE BY THE ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY OF ONE OR MORE SERIES OF ITS ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY SENIOR LIEN REVENUE REFUNDING BONDS AND/OR SUBORDINATE LIEN REVENUE REFUNDING BONDS AND AUTHORIZING SUCH OTHER ACTIONS AS ARE NECESSARY TO ASSIST THE AUTHORITY IN THE ISSUANCE OF SUCH REFUNDING BONDS AND MAKING A DETERMINATION RELATING THERETO

SUMMARY:

Staff requests approval of certain documents related to the proposed issuance of the Alameda Corridor Transportation Authority (ACTA) Senior Lien Revenue Refunding Bonds and/or Subordinate Lien Revenue Refunding Bonds (2024 ACTA Bonds) including certain disclosures required from the Port of Los Angeles. Given the Port of Los Angeles' role as a partial guarantor of ACTA's debt along with the Port of Long Beach, it must provide certain financial and operating disclosures to the bond market for any ACTA bond transaction both at the time of the initial offering and for as long as the bonds remain outstanding. ACTA is projecting that future revenues will be insufficient to cover debt service payments starting in Fiscal Year (FY) 2026 through 2037, and that shortfall advance payments would be required from the two ports to help make up the difference. The proposed transaction is expected to reduce the amount of debt service during this time period, thereby reducing the need for shortfall advance payments from the ports. Bond market conditions at the time of the transaction will determine the level of debt service savings that will be achieved.

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;

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2. Authorize the execution and delivery of the Continuing Disclosure Certificate, the Letter of Representation, and other related documents and certificates in connection with the issuance and sale of the 2024 ACTA Bonds;
3. 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 issuance of the 2024 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 2024 ACTA Bonds by ACTA; and (ii) the conditions set forth in the Resolution;
4. Approve certain disclosures relating to the finances and operations of the Harbor Department to be contained in the Preliminary Official Statement and the Official Statement for the 2024 ACTA Bonds including the Audited Financial Statements of the Harbor Department, with such changes thereto as the Executive Director or the Chief Financial Officer may require or approve; and
5. Adopt Resolution No. _____.

DISCUSSION:

Background/Context – ACTA is a joint-powers authority created by the City of Los Angeles and the City of Long Beach in 1996 to construct, finance, and operate a freight expressway corridor connecting the rail system near downtown Los Angeles to the Ports of Los Angeles (POLA) and Long Beach (POLB). Since its formation, ACTA has issued several series of revenue bonds for this purpose. Currently, ACTA has approximately \$1.6 billion in outstanding bonds, and is projecting that future revenues will be insufficient to cover debt service payments starting in FY 2026 through FY 2037 as a result of less cargo than expected being transported through the Rail Corridor.

Both POLA and 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, with each port obligated to pay 20%. In 2011 and 2012, POLA and POLB collectively made a total of \$11.8 million in Shortfall Advances. Pursuant to the terms of the Use and Operating Agreement, ACTA is obligated to reimburse the Ports after certain obligations are met.

In 2024, ACTA intends to issue debt to conduct a tender solicitation that will target ACTA bonds issued in 1999 and 2004. A tender is an invitation to existing bondholders to purchase their bonds with the proceeds of a new issuance. Given current market dynamics, undertaking such a transaction presents an opportunity to lower ACTA's debt service obligations. The success of the effort will depend upon the level of investor participation.

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ACTA plans to have transactions in 2025 and 2026 to target reducing Shortfall Advances for the two Ports from FY 2026 to FY 2037 by restructuring and refunding the remaining outstanding bonds at that time. This restructuring is expected to generate significant relief from projected shortfall payments for the two ports through FY 2037. If the tender is successful, the 2024 and 2025 issuances will reduce the size of the transaction required in 2026.

Given the Port's role as a partial guarantor of ACTA's debt, it must provide certain financial and operating disclosures to the bond market for any ACTA bond transaction both at the time of the initial offering and for as long as the bonds remain outstanding. In recent years, the Board has approved documents for ACTA financing transactions to address the need for Shortfall payments from the Port in 2016 and 2022.

Implications of this Action – By taking this action, the Board: 1) authorizes Harbor Department staff to carry out and comply with the terms and intent of the Resolution (Transmittal 1) and to assist ACTA in the issuance of the 2024 ACTA Bonds, subject to the conditions set forth in the Resolution; 2) authorizes staff to execute and deliver the Continuing Disclosure Certificate (Transmittal 2) and the Letter of Representation (Transmittal 3); and 3) approves certain disclosures concerning the finances and operations of POLA to be contained in the Preliminary Official Statement and the Official Statement for the transaction (Transmittal 4).

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 2024 ACTA Bonds and to provide notice of certain enumerated events in accordance with the Securities and Exchange Commission regulations for as long as the bonds remain outstanding. The Letter of Representation provides a certification from the Department that the information it is providing is accurate and complete.

Other Required Approvals - The Board of Harbor Commissioners for POLB is expected to approve documents related to the ACTA transaction at its meeting on December 11, 2023. ACTA's Governing Board is expected to approve the proposed transaction on December 14, 2023. The closing of the transaction is planned for February 2024.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the approval to execute and deliver documents and certificates in connection with 2024 ACTA Bonds, which is an administrative activity. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

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FINANCIAL IMPACT:

Approval of the proposed Resolution will approve the execution and delivery of certain documents by the Harbor Department which will facilitate ACTA's issuance of 2024 ACTA Bonds. The issuance of the 2024 ACTA Bonds will reduce ACTA's debt service obligations from FY 2026 through FY 2037. Currently, ACTA's debt service obligations are anticipated to generate shortfalls totaling approximately \$769 million from FY 2026 through FY 2037 because forecasted revenues will be insufficient to cover ACTA's operating costs and debt service obligations.

Assuming that 20% of current bondholders elect to participate in the tender offer contemplated under the 2024 ACTA Bond transaction, FY 2026 through FY 2037 debt service obligations are anticipated to be reduced by approximately \$208 million. The remaining \$561 million in FY 2026 through FY 2037 shortfalls are anticipated to be addressed by subsequent financing transactions currently expected to occur in 2025 and 2026.

CITY ATTORNEY:

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

FIS Approval: MB (initials)

CA Approval: SO (initials)

MARLA BLEAVINS
Deputy Executive Director and
Chief Financial Officer

APPROVED:

for
EUGENE D. SEROKA
Executive Director

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