



Executive Director's
Report to the
Board of Harbor Commissioners

DATE: MAY 19, 2011

TO: BOARD OF HARBOR COMMISSIONERS

FROM: KARL K.Y. PAN, Chief Financial Officer *Karl K.Y. Pan*

SUBJECT: CHIEF FINANCIAL OFFICER'S REPORT – PRIVATE SALE OF
HARBOR DEPARTMENT'S REFUNDING REVENUE BONDS

The following determination is submitted, pursuant to Los Angeles Administrative Code Section 11.28.4.

The current market for tax-exempt securities remains volatile with uncertainty fueled further by media reports on potential municipal defaults. This "headline" risk has increased investor uncertainty regarding the quality and safety of municipal bonds. Consequently, it remains important for issuers to take the time to provide as complete a background story as possible in order for buyers of municipal bonds to understand the risk of an issue better.

The Harbor Department has the opportunity to current refund its outstanding 2001 Series A and B Bonds for economic savings consistent with its Debt Policy, which provides for a refunding of callable bonds when a minimum net present value savings of three percent (3%) can be achieved. In order to optimize the economic savings in the current market, a private sale of the bonds is recommended in order to allow for pre-marketing of the issue by underwriters, flexibility in terms of the pricing date, and increased retail participation.

The Harbor Department has worked with its Financial Advisor, Frasca & Associates, L.L.C., who concurs with this recommendation and has provided an opinion as such to the Harbor Department.

I have, therefore, determined that a private sale of the 2011 Refunding Bonds would be a benefit to and in the best interest of the Harbor Department and have recommended that such sale be authorized by the Board of Harbor Commissioners ("BOHC"), a recommendation that will be submitted to the BOHC for approval on Thursday, May 19, 2011.

If you have any questions regarding matter, please contact me at (310) 732-7703

cc: Molly Campbell
Soheila Sajadian