



**THE PORT
OF LOS ANGELES**

Executive Director's
Report to the
Board of Harbor Commissioners

DATE: AUGUST 4, 2016

FROM: DEBT & TREASURY MANAGEMENT

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 2016 REFUNDING REVENUE BONDS

SUMMARY:

Staff is requesting authority to appoint RBC Capital Markets, LLC as senior manager and Citigroup Global Markets Inc., and Loop Capital Markets LLC as co-managers for the issuance of the City of Los Angeles Harbor Department's (Harbor Department) 2016 Refunding Revenue Bonds. These bonds will refund (i.e. refinance) all or a portion of the Harbor Department's 2006 Series A, B, and C Bonds (the "2006ABC Bonds") which are currently outstanding in the principal amount of \$119.245 million, as well as advance refund 2009 Series B Bonds (the "2009B Bonds") in an outstanding principal amount of \$100 million through a negotiated sale.

The total cost for the underwriting services will be approximately \$420,000 which would include underwriter compensation, 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:

1. Find that the proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines as determined by the Director of Environmental Management;
2. Appoint the team of underwriting firms consisting of RBC Capital Markets, LLC as senior manager and Citigroup Global Markets Inc., and Loop Capital Markets LLC as co-managers for the negotiated sale of the 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 2016 REFUNDING REVENUE BONDS

4. Adopt Resolution No. _____.

DISCUSSION:

In April 2015, the Board of Harbor Commission approved Resolution No. 15-7798, which established a pool of twelve 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. Recommended for approval to underwrite this transaction are the firms of RBC Capital Markets, LLC as senior manager, and Citigroup Global Markets Inc., and Loop Capital Markets LLC as co-managers. The above team was selected from the existing pool of underwriters based on their responses to a competitive solicitation.

Investment banks play a key role in Harbor Department's financing team, acting as underwriters to assist in the 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 other members of the financing team which include Montague DeRose and Associates, LLC as Department's financial advisor, and the firms of Nixon Peabody, 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.

This Resolution shall take effect immediately upon its adoption.

ENVIRONMENTAL ASSESSMENT:

The proposed action is the appointment of an underwriting team to lead the negotiated sale of 2016 Refunding Revenue Bonds by the City of Los Angeles Harbor Department. As an administrative action, the Director of Environmental Management has determined that the proposed action is 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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FINANCIAL IMPACT:

Total cost for the underwriting services will be approximately \$420,000 which would 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.


CITY ATTORNEY:

The Office of the City Attorney has reviewed this board report and has no legal issues at this time.

TRANSMITTAL:

1. Resolution No. _____

FIS Approval: *MB* (initials)
CA Approval: *MB* (initials)


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APPROVED:


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