WILLIAM T FUJIOKA
Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE
OPERATIONS CLUSTER

DATE: May 12, 2011
TIME: **1:00 p.m.**
LOCATION: Kenneth Hahn Hall of Administration, Room 830

AGENDA

Members of the Public may address the Operations Cluster on any agenda item by submitting a written request prior to the meeting.
Three (3) minutes are allowed for each item.

1. Call to order – Ellen Sandt

A) **Board Letter - REQUEST FOR APPROVAL AND AWARD OF A CONSTRUCTION PROJECT MANAGEMENT AND SUPPORT SERVICES AGREEMENT FOR VARIOUS PROJECTS**
ISD – Tom Tindall or designee

B) **Board Letter – SCHOOL DISTRICT GENERAL OBLIGATION BONDS – WHITE PAPER**
TTC – Mark Saladino or designee

C) **Board Letter – ISSUANCE AND SALE OF 2011-12 TAX AND REVENUE ANTICIPATION NOTES**
TTC – Mark Saladino or designee

2. Public Comment

3. Adjournment

County of Los Angeles
INTERNAL SERVICES DEPARTMENT
1100 North Eastern Avenue
Los Angeles, California 90063

TOM TINDALL
Director

Telephone: (323) 267-2101
FAX: (323) 415-8664

"To enrich lives through effective and caring service"

May 31, 2011

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

REQUEST FOR APPROVAL AND AWARD OF A CONSTRUCTION PROJECT MANAGEMENT AND SUPPORT SERVICES AGREEMENT FOR VARIOUS PROJECTS (ALL DISTRICTS - 3 VOTES)

SUBJECT

Request approval to award and execute an agreement with Vanir Construction Management, Inc., for construction project management and support services for various projects.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Mayor to sign the attached agreement (Attachment 1) with Vanir Construction Management, Inc. (Vanir), to provide construction project management and support services. The agreement will be effective July 1, 2011, for an initial term of one (1) year, with four (4) one-year renewal options, and six (6) month-to-month extensions, for a not-to-exceed amount of $3.5 million per year.

2. Authorize the Director of Internal Services Department (ISD) or designee to unilaterally exercise the renewal options and month-to-month extensions in accordance with the attached agreement.

3. Delegate authority to the Director of ISD, or his designee, to execute applicable contract amendments should the original contracting entity merge, be acquired, or otherwise has a change of entity.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

ISD provides construction project management and support services for repair and refurbishment and energy retrofit efficiency projects to a variety of County departments for County-owned and/or leased facilities. ISD supplements in-house resources with contract project managers to perform these services. Approval of the recommended agreement will provide ISD with additional resources and ensure the continuation of services past the June 30, 2011, expiration date of the current contract.

IMPLEMENTATION OF STRATEGIC PLAN GOALS:

The recommended agreement supports the County's Strategic Plan Goal No. 1, Operational Effectiveness, by effectively managing County resources.

FISCAL IMPACT/FINANCING:

Funding will be provided through a combination of the Utilities and ISD budget appropriations for Fiscal Year 2011-12. The estimated breakdown is approximately $1.2 million from the Utilities budget and approximately $2.3 million from ISD's budget.

The approval of the recommended agreement does not guarantee the recommended contractor any minimum amount of business. ISD will only incur construction project management expenditures to the extent that they are offset through County department billings and within available appropriation. Energy program costs will be offset by client billings in the Utilities budget. Funding in subsequent fiscal years will be requested on an annual basis. The annual contract value will not exceed $3.5 million.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The terms and conditions of the recommended agreement have been approved as to form by County Counsel. The agreement contains the Board's required contract provisions including those pertaining to consideration of qualified County employees targeted for layoffs, as well as qualified GAIN/GROW participants for employment openings, compliance with the Jury Service Ordinance, Safely Surrendered Baby Law and the Child Support program.

ISD has determined that the proposed agreement is not subject to the County's Living Wage Program. County Code 2.201 does not apply to construction project management services as these agreements are for non-Proposition "A" services.

The construction project management agreement is temporary and intermittent, and the work performed by the recommended vendor is considered highly technical in nature.

The contract rates are fixed for the initial term of the agreement. The agreement allows for a Cost of Living Adjustment (COLA) increase during the option years, if the option years are exercised by the County.

ENVIRONMENTAL DOCUMENTATION:

The proposed activity is not a project pursuant to the California Environmental Quality Act (CEQA) because it is an activity that is excluded from the definition of a project by Section 15378(b) of the State CEQA Guidelines. The proposed action is an administrative activity of the government, which will not result in a direct or indirect change to the environment.

The appropriate environmental documentation, as required by CEQA, will be completed and your Board will be requested to make a CEQA finding before a discretionary action is approved for any construction project.

CONTRACTING PROCESS:

On November 10, 2010, ISD released a Request for Proposals (RFP) for construction project management services and posted the solicitation and contracting opportunity announcement on the County's "Doing Business with Us" web site (Attachment 2). Notice of the RFP was sent by electronic mail to 560 vendors registered with the County (Attachment 3).

Twenty-two vendors attended the Mandatory Proposer's Conference held on November 23, 2010. Four proposals were received on December 9, 2010, and were reviewed for compliance with the minimum requirement criteria stated in the RFP. All proposals were determined to be in compliance with the minimum requirement criteria and a committee evaluated the proposals in accordance with the evaluation process identified in the RFP. The non-selected proposers received debriefings on March 15 and 16, 2011, and there were no protests received for this solicitation.

A summary of Community Business Enterprise Program information for the recommended vendor is attached (Attachment 4). The proposed contractor was selected without regard to gender, race, creed, or color for award of a contract.

IMPACT ON CURRENT SERVICES (OR PROJECTS):

No staff impact will result from the award of the recommended agreement, as the requested agreement is intended to augment, but not replace County workforce.

CONCLUSION:

Approval of the recommended agreement will allow ISD to continue providing timely services to client County departments.

Respectfully submitted,

TOM TINDALL
Director

TT:JS:YY

Enclosures

c: Chief Executive Officer
County Counsel

DATE

To Financing Participants:

COUNTY OF LOS ANGELES
SCHOOL DISTRICT GENERAL OBLIGATION BONDS - WHITE PAPER

The recent economic downturn in California has placed a significant financial burden on school and community college districts. This burden has been augmented by budget deficits at the State of California and the continuation of funding cuts and apportionment deferrals aimed at schools. To help manage the current fiscal challenges, many districts have sought to issue debt as one means of meeting their financial needs. While debt issuance can be part of a larger fiscal plan, the use of general obligation (GO) bonds to solve budget problems can pose a serious risk to school and community college districts. We recommend that districts take a conservative approach when issuing GO bonds in order to avoid any violations of State or Federal Law, and to ensure compliance with all tax and regulatory guidelines.

Through our participation in numerous GO bond financings, my office has observed several new financing practices that may place the issuing district at risk of both State and Federal scrutiny. Regardless of whether the GO bonds are issued under the California Education Code or Government Code, my office will not support any of the following practices:

1. **JPA Structure and QSCBs.** The use of a Joint Powers Authority (JPA) to augment a Qualified School Construction Bond (QSCB) issuance provides bond proceeds beyond the amount approved by voters in a GO bond measure. This results in taxpayers being charged a significantly higher rate of interest than the actual market rate for the QSCBs (net of the direct-pay subsidy). The JPA structure with QSCBs resembles the "cash-out" refunding method that in 2009 was declared by the California Attorney General to be in violation of State Law. The use of this structure exposes the district to potential litigation on the part of local residents and could cause the Internal Revenue Service (IRS) to revoke the district's direct-pay subsidy from the U.S. Treasury.

2. **JPA Structure (Marks-Roos).** Issuing GO bonds through a Marks-Roos structure is generally used to augment construction fund proceeds beyond the amount approved by voters. This increases the cost to local taxpayers and is another example of a "cash-out" financing structure that was declared illegal by the Attorney General in 2009.

3. **Use of Federal Subsidy for District Operations.** In a taxable GO bond financing, the Build America Bond (BAB) or QSCB subsidy must be used as an offset to debt service. Any application of this subsidy to fund district operations will significantly increase the cost to local taxpayers and may result in enforcement actions by the IRS.

4. **Proposition 39 Tax Limits.** If a school district has already exceeded its Proposition 39 tax rate limit of $30/$100,000 or $60/$100,000, it cannot issue additional debt under that ballot measure. A district cannot avoid the Proposition

39 tax rate limits by issuing GO bonds in only those maturities that do not currently exceed the $30 or $60 limitations. Such structures are contrary to the original intent of Proposition 39 and pose a legal risk to the issuing district.

5. **Bond Premium to Pay Costs of Issuance.** A March 1, 2011 letter from the California Attorney General stated that "the law is clear that any premium, even if legitimate, must be deposited into a special fund, applied to pay debt service, and therefore cannot be diverted to pay costs of issuance." The views expressed in this letter from the Attorney General provide clear guidance that Government Code Section 23903 and Education Code Section 15146(f) do not allow for costs of issuance, including underwriter's discount and bond insurance, to be paid from bond premium.

6. **Borrowing from Bond Project Funds.** GO bond proceeds are statutorily limited to qualified capital expenditures and cannot be used to fund operating expenses or payroll disbursements. Borrowing from a GO bond project fund to finance working capital needs is in direct violation of both State Law and Federal Tax Law.

In addition to the above practices, we also wish to highlight a common type of GO bond financing that is exceedingly costly for both school districts and local taxpayers. My office <u>will not support</u> transactions that rely on the following bond structure:

> **Long-Dated CABs.** The issuance of capital appreciation bonds (CABs) with maturities greater than 25 years will result in a significantly higher debt burden for GO bond issuers. A 40-year CAB will generate debt service more than ten times (10x) greater than the principal amount of bonds being issued. Unless a district is certain to exceed its Proposition 39 tax rate limits, it should not consider the issuance of CABs. Furthermore, reasonable assumptions for growth in assessed value must always be utilized when sizing a GO bond financing with CABs. If a district elects to issue bond anticipation notes (BANs) as an alternative to a CAB structure, a similarly conservative approach to assessed value must be used. BANs should never serve as a vehicle to extend the total years of debt service beyond the limits set forth in the Education Code and Government Code.

In order to mitigate the use of those practices referenced in this letter, my department will work with the California State Association of Counties to develop legislation aimed at reforming GO bond issuance. If you have any questions regarding this letter, please contact Glenn Byers, Assistant Treasurer and Tax Collector, at (213) 974-7175.

Very truly yours,

MARK J. SALADINO
Treasurer and Tax Collector

c: Chief Executive Officer
Auditor-Controller
County Counsel
County Office of Education
California State Association of Counties
California State Treasurer
California Attorney General

COUNTY OF LOS ANGELES
TREASURER AND TAX COLLECTOR
KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 437
LOS ANGELES, CA 90012

MARK J. SALADINO
TREASURER AND TAX COLLECTOR

May 17, 2011

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

**ISSUANCE AND SALE OF
2011-12 TAX AND REVENUE ANTICIPATION NOTES
(ALL DISTRICTS) (3 VOTES)**

SUBJECT

The Treasurer and Tax Collector is requesting authorization from your Board to issue Tax and Revenue Anticipation Notes (TRANs) to meet the Fiscal Year 2011-12 cash flow needs of the County General Fund. This short-term borrowing program enables the County to effectively manage its expenditure requirements and greatly reduces the need for internal borrowing. With respect to the 2011-12 TRANs, we are requesting authorization for a maximum issuance not to exceed $1,500,000,000. As in prior years, the final size of the issuance will be adjusted to meet the anticipated cash flow needs of the County and to ensure compliance with federal regulations for tax-exempt financings. The size of the TRANs borrowing is currently expected to be $1,300,000,000.

IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the Resolution authorizing the issuance and sale of the 2011-12 Tax and Revenue Anticipation Notes in an aggregate principal amount not to exceed $1,500,000,000.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Adoption of the attached Resolution will authorize the issuance of the 2011-12 TRANs and the execution and delivery of all related financing documents. Since 1977, the County has annually issued tax-exempt TRANs in connection with its cash management program for the upcoming fiscal year. This short-term borrowing program is necessary given that the County receives certain revenues, such as property taxes, on an uneven basis throughout the fiscal year. The proceeds generated from the issuance of TRANs are maintained in a separate fund by the Auditor-Controller and transferred on a periodic basis to meet the expenditure needs of the County General Fund. This process serves to both reduce the County's need for internal borrowing and enhance the earnings of the County Treasury Pool.

In consideration of the 2011-12 Recommended County Budget, the ongoing State of California fiscal crisis and related cash flow assumptions for the upcoming fiscal year, we expect the initial offering size of the 2011-12 TRANs to be $1,300,000,000. If circumstances change with respect to the County's financial outlook, the Resolution provides the flexibility to either adjust the size of the initial offering or to issue an additional series of 2011-12 TRANs. However, in no event would the principal amount of the 2011-12 TRANs exceed the maximum authorization of $1,500,000,000.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal #1: Operational Effectiveness by providing sufficient financial resources to help meet the Fiscal Year 2011-12 cash flow requirements of the County General Fund.

FISCAL IMPACT/FINANCING

The borrowing cost of the 2011-12 TRANs is dependent on market conditions at the time of the sale. The Resolution provides that the price and interest rate on the TRANs shall not result in a true interest cost that exceeds four percent (4%). However, the actual cost of borrowing is expected to be significantly lower and may result in a true interest cost below one percent (1%).

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Given our current view of the municipal note market, we expect the 2011-12 TRANs to be sold as fixed rate notes with multiple maturity dates of one year or less. The final structure of the TRANs will be determined at the time of pricing, which is currently scheduled for mid-June. Proceeds from the sale of the 2011-12 TRANs are expected to be available to the County on July 1, 2011.

Consistent with the County's practice in recent years, the Treasurer and Tax Collector is recommending a negotiated sale of the 2011-12 TRANs. Based on the results of a competitive bid process, the Treasurer and Tax Collector selected J.P. Morgan Securities Inc. to be the senior managing underwriter and Citigroup Global Markets Inc. and Goldman, Sachs & Co. to serve as co-senior managers. Three or more additional underwriting firms will be selected to participate in the sale of the TRANs once the final offering size has been determined. Hawkins Delafield & Wood LLP will serve as bond counsel for this transaction.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The 2011-12 TRANs are issued as part of a cash management program, which has no direct impact on current services.

CONCLUSION

Upon approval of this Resolution, it is requested that the Executive Officer-Clerk of the Board of

Supervisors return two originally executed copies of the adopted Resolution to the Treasurer and Tax Collector (Office of Public Finance).

Respectfully submitted,

MARK J. SALADINO
Treasurer and Tax Collector

MJS:GB:DB:JP:KC

Enclosures

c: Chief Executive Officer
County Counsel
Auditor-Controller
Hawkins Delafield & Wood LLP