SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE
OPERATIONS CLUSTER

DATE: June 23, 2016
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 – James Blunt / Gevork Simdjian

   A) **Board Letter – APPROVAL OF A MANAGED CARE CORE SYSTEM AGREEMENT WITH ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.**
   DHS/CIO – Mitchell H. Katz and Peter Loo and/or designee(s)

   B) **Board Letter – ISSUANCE AND SALE OF COUNTY OF LOS ANGELES REDEVELOPMENT REFUNDING AUTHORITY TAX ALLOCATION REVENUE REFUNDING BONDS, SERIES 2016A**
   TTC – Joseph Kelly or designee

   C) **Board Letter – REDEMPTION OF OUTSTANDING LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY REVENUE BONDS SERIES 2003A AND 2005A**
   TTC/DPW – Joseph Kelly and Gail Farber and/or designee(s)

2. Public Comment

3. Adjournment

July 12, 2016

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:

APPROVAL OF A MANAGED CARE CORE SYSTEM AGREEMENT WITH ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
(ALL SUPERVISORIAL DISTRICTS)
(3 VOTES)

CIO RECOMMENDATION: APPROVE [×] APPROVE WITH MODIFICATION [ ] DISAPPROVE [ ]

SUBJECT

Approval of a new Agreement with Allscripts Healthcare Solutions, Inc. for the provision of a Managed Care Core System for the Department of Health Services; and delegation of authority to amend Agreement for various contractual actions during the Term of the Agreement.

IT IS RECOMMENDED THAT THE BOARD:

1. Authorize the Director of Health Services (Director), or his designee, to execute an Agreement with Allscripts Healthcare Solutions, Inc. (Allscripts), for the provision of a Managed Care Core System (MCCS or System) at the Department of Health Services (DHS or Department), effective upon execution for an initial term of seven years following Final Acceptance (after the completion of contract initiation, design, build, test, and production use prior to the County's final acceptance, which is projected to be sixteen months after Agreement execution), with an option to extend the term of the Agreement for three additional one-year extensions (each a Renewal Support Term), with a Maximum Contract Sum not to exceed $21.205 million, for the entire term of the Agreement, including the Renewal Support Terms.

2. Delegate authority to the Director, or his designee, to execute Amendments to the Agreement to: (a) exercise the option to extend the Agreement for three Renewal Support Terms; (b) add, delete, and/or change certain terms and conditions as mandated by Federal or State law or regulation, County policy, County Board of Supervisors (Board) and/or Chief Executive Office (CEO); (c) align the Agreement with County standards and needs, including but not limited to business and administrative workflows, protocols and policies; (d) account for Approved Growth Events resulting from increases to the Department's membership; (e) approve, at

the Director's discretion, Cost of Living Adjustments (COLAs) requested by Allscripts that are limited to: (1) the fixed hourly rates for professional services on an annual basis starting twelve months after Final Acceptance; and (2) support services fees during the Renewal Support Terms; and with any such COLAs , consistent with the Board's COLA policy; and (f) reduce scope of services and the Maximum Contract Sum; with all such actions subject to review and approval by County Counsel.

3. Delegate authority to the Director, or his designee, to execute: (a) Change Notices to the Agreement for changes that do not incur additional costs or expenses, nor substantially affect any Agreement terms or conditions and for alterations to the project schedule, upon mutual agreement with Allscripts, and (b) Change Orders or Amendments using Pool Dollars, to acquire Optional Work as requested by County; and (c) issue written notice(s) of partial or full termination of the Agreement for convenience without further action by the Board.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Background

The Department's Managed Care Services Division (MCS) fulfills administrative requirements under the Department's provider and hospital contracts with health plans for Medi-Cal managed care and In Home Supportive Services (IHSS) programs, and supports DHS-sponsored health access programs such as My Health LA (MHLA). MCS supports key administrative areas for these programs, including claims processing and adjudication, utilization management, referral management, member services operations, and encounter reporting.

MCS currently relies on the Patient Management System (PMS) under an agreement with Health Management Systems, Inc. (HMS). PMS is a custom-built legacy managed care administrative and claims system implemented in 1984. The system no longer satisfies DHS' managed care administrative business needs and does not support integration across the continuum of healthcare delivery. PMS' lack of a provider web portal precludes providers from electronically submitting claims for payment, which necessitates the need for a third-party provider to process and scan claims. The PMS application and user interface is significantly outdated and costly to operate in comparison to newer technologies, and requires the Department to retain a contingent of costly HMS programmers to maintain the system. MCS also uses a number of ancillary applications and standalone databases to support current MCS operations.

MCCS, by comparison, is a modern, integrated system which will enable the Department to realize numerous benefits in cost savings, improve effectiveness, and operational efficiencies in clinical and administrative business processes. MCCS will support the health information technology upgrades that DHS has undertaken since 2012 to prepare the Department to successfully participate in the expansion of Medi-Cal Managed Care under the Affordable Care Act (ACA). The expansion of additional managed care contracts with a larger number of commercial health plans has dramatically changed the payer composition of the Department's patient population and significantly increased DHS' managed care market share. Over the same time period, MCS has concurrently restructured its operations and organization to support the Department's evolving business needs.

Allscripts Recommendations

Approval of the first recommendation will allow the Director to execute an Agreement, substantially similar to Exhibit I, with Allscripts, to implement MCCS as a successor to the PMS, for an initial term of seven years after Final Acceptance of the System, with an option to extend the Agreement for three additional one-year extensions (each a Renewal Support Term). The Agreement will provide for a projected 16 month implementation that encompasses all key milestones (i.e., contract initiation, design, build, test, production use and final acceptance), hosting, ongoing maintenance and operations, application management services, and optional work. The Department has the option to extend the current agreement with HMS through December 31, 2017, to provide sufficient time to successfully implement MCCS.

MCCS is a commercial off-the-shelf system that readily supports health plans and provider organizations that assume responsibilities delegated from payers. The System's core components will facilitate claims processing, adjudication and repricing, and member enrollment and eligibility. In addition, MCCS will provide member management, benefits and referrals management, and customer call tracking, and provider and plan administration, including reimbursement/capitation management. Moreover, within the implementation scope is a provider portal that will enable DHS providers to electronically submit claims for payment. The Department's ability to leverage MCCS' claims processing capabilities will allow for DHS to realize cost savings by allowing DHS to internally process MHLA clinical encounters and dental claims and to manage monthly grant funding to MHLA providers. The MCCS platform's high degree of integration enables the system's different modules to seamlessly share data, which will allow DHS to realize workflow synergies that cannot otherwise be realized with PMS.

MCCS's administrative functionality and versatility allow DHS to more effectively operate its current managed care portfolio and flexibility in operating within broader managed care business needs. MCCS will facilitate the Department's role as a capitated provider for managed care health insurance products (i.e., Medi-Cal and IHSS) and as a sponsor for MHLA. MCCS' flexibility will provide DHS with the ability to efficiently scale the System in tandem with its business operations as healthcare market conditions change. This adaptability underlies the Agreement DHS negotiated and ensures that the Department will have the ability to respond and make changes quickly to effectively manage its managed care business.

Approval of the second recommendation will enable the Director to exercise the three optional one-year Renewal Support Terms. This recommendation will also allow the Department to add, delete, and/or change certain terms and conditions as required under federal or state law or regulation, County policy, Board and/or CEO and modify the Agreement to align with County standards and business needs, account for additional ongoing fees resulting from approved growth events arising from increases to DHS' managed care membership beyond the projected 381,000 members in FY 2017-18 and maximum number of MHLA participants, adopt COLAs at the Director's discretion, and reduce the Agreement's scope of services and the Maximum Contract Sum, as necessary. All such actions will be subject to County Counsel's review and approval.

Approval of the third recommendation will allow the Director to execute Change Notices that do not authorize additional costs, substantially affect Agreement terms or conditions, or modify the implementation project schedule with concurrence from Allscripts; execute Change Orders using Pool Dollars to acquire Optional Work in the form of professional services, new software, inclusion of additional County lines of business and approved growth events; and/or increase transactional pricing elements in the Agreement, such as the Claimshop Transaction Allocation, included in the Maximum Contract Sum; and to terminate the Agreement in full or in part for convenience.

MCCS Integration with ORCHID

DHS has adopted a number of technology solutions, including Online Realtime Centralized Health Information Database (ORCHID) and the Enterprise Patient Data Repository (EPDR), to provide the necessary underlying health information technology infrastructure to streamline and improve clinical, financial and administrative processes based on outcomes-driven metrics and the drive toward value-based care. To that end, MCCS will provide administrative functionalities currently not available within ORCHID.

To bridge the gap between the two systems, MCCS will interface with ORCHID's PowerChart and care management modules to support utilization management and patient referral workflows. As DHS' business partnership with Cerner continues to mature, DHS will actively reassess feasibility of absorbing certain administrative functions performed within MCCS into corresponding Cerner modules, or consolidating such functionalities within the ORCHID environment.

Implementation of Strategic Plan Goals

The recommended actions support Goal 1 - Operational Effectiveness/Fiscal Sustainability of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

The Maximum Contract Sum of the Agreement with Allscripts is $21.205 million, which includes $2.464 million in Pool Dollars for Optional Work.

Funding is included in DHS' Fiscal Year 2016-17 Final Budget, and will be requested in future fiscal years, as continuing appropriation is needed.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

In accordance with the Board's directive to engage outside counsel for information technology agreements exceeding $5 million, County Counsel retained the law firm of Foley & Lardner, LLP to assist in the negotiation of this Agreement. Accordingly, Foley & Lardner, in conjunction with County Counsel, reviewed the Request for Proposals (RFP) prior to release, provided legal advice throughout the RFP process, and drafted and negotiated the recommended Agreement. Additionally, in accordance with the Board's policy, County Counsel has separately submitted to the Board a privileged memorandum which analyzes the Agreement.

The Agreement includes all Board required provisions. The Agreement may be terminated for convenience by the County upon 60 days prior written notice. The County's standard COLA provision was added to the Agreement during negotiations. In accordance with Board Policy No. 5.070, Multi-Year Services Contract Cost of Living Adjustments, the County, upon a future request, would have the discretion to grant a COLA increase to Allscripts for MCCS' Support Services Fees and Fixed Hourly Rate for Professional Services. The Department negotiated fixed Support Services Fees for the duration of the Initial Support Term, meaning that Allscripts may not request a COLA for said fees until the beginning of the option years, the Renewal Support Terms. Similarly, Allscripts may not request a COLA for the Fixed Hourly Rate for Professional Services until 12 months after Final Acceptance. The COLA will not be automatic and is further limited to the lesser of movement in County salaries or any increase in the Department of Labor Bureau of Labor Statistics' Consumer Price Index. Furthermore, should fiscal circumstances ultimately prevent the Board from approving any increase in County employee salaries, no COLA will be granted.

County Counsel has approved Exhibit I as to form. The Chief Information Officer (CIO) concurs with the Department's recommendation and that office's analysis is attached (Attachment A).

The Department has evaluated and determined that the Living Wage Program (County Code Chapter 2.201) does not apply to the recommended Agreement and it is exempt from Proposition A (County Code Chapter 2.121).

CONTRACTING PROCESS

On November 24, 2014, DHS released a RFP for a MCCS to identify the most qualified proposers. The RFP's notice of availability was posted on the County's website as well as on DHS' Contracts and Grants website. In addition, DHS electronically notified potential vendors identified on its internal mailing lists.

The RFP contained detailed minimum qualifications that interested vendors were required to meet, in order to proceed to the second phase, which was the submission of substantive business and price proposals.

By the minimum mandatory proposal submission deadline of January 14, 2015, DHS received four proposals. Proposals were evaluated using a two-phase selection process. Phase I was the Pass/Fail Evaluation of minimum mandatory requirements as stated in the RFP. All proposers passed Phase I of the evaluation process.

Phase II was an evaluation conducted by an Evaluation Committee comprised of DHS representatives familiar with the MCS' business and technical needs. The informed averaging process was used. At the conclusion of Phase II, DHS began strategically negotiating with the top two proposers, TriZetto Corporation (TriZetto) and Allscripts, the latter of which had the lowest price proposal among the 4 proposers. However, in December 2015, after multiple rounds of focused negotiations with both proposers, DHS terminated negotiations with TriZetto. The Department has obtained a Letter of Intent from Allscripts and debriefings were offered to two proposers, both of which requested and received debriefings. There were no protests as a result of this solicitation. . Therefore, Allscripts is being recommended for the Agreement.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of the recommendations will enable DHS to implement a modernized and standardized managed care core system that supports the Department's current and emergent business needs, including full support of DHS' managed services contracting business model.

Respectfully submitted,	Reviewed by:
Mitchell H. Katz, M.D. Director	Peter Loo Acting Chief Information Officer

MHK:PL:jl

Enclosures

cc: Chief Executive Office
County Counsel
Executive Office, Board of Supervisors

DRAFT

Attachment A

ACTING CHIEF INFORMATION OFFICER

Office of the CIO

CIO Analysis

NUMBER:	DATE:
CA 16-11	6/21/2016

SUBJECT:

APPROVAL OF A MANAGED CARE CORE SYSTEM AGREEMENT WITH ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

RECOMMENDATION:

☒ Approve ☐ Approve with Modification ☐ Disapprove

CONTRACT TYPE:

☒ New Contract ☐ Sole Source

☐ Amendment to Contract #: Enter contract #. ☐ Other: Describe contract type.

CONTRACT COMPONENTS:

☒ Software ☒ Hardware

☐ Telecommunications ☒ Professional Services

SUMMARY:

Department Executive Sponsor: Mitchell H. Katz, M.D., Director, Department of Health Services

Description: Department of Health Services (DHS) is requesting authorization to execute an Agreement with Allscripts Healthcare Solutions, Inc. (Allscripts) for a Managed Care Core System (MCCS), for seven years following final acceptance with three one-year options; and also to execute necessary Amendments, Change Notices, and Change Orders to the Agreement, including Cost of Living Adjustments (COLA) and Approved Growth Events and use of Agreement Pool Dollars.

Contract Amount: $21,204,724 Funding Source: DHS' Fiscal Year 2016-17 Final Budget

☐ Legislative or Regulatory Mandate ☐ Subvened/Grant Funded: N/A

Strategic and Business Analysis

PROJECT GOALS AND OBJECTIVES:

MCCS, a vendor hosted and fully-managed solution at a Los Angeles location, will replace the legacy managed care core system, Patient Management System (PMS), by leveraging the latest commercially available technologies to support DHS Managed Care Services (MCS)' business needs. Core MCCS functionality includes:

1. **Claims Processing, Adjudication and Repricing** - Claims processing involves multiple administrative and customer services that includes review, investigation, adjustment, remittance, or denial of the claim. DHS will be able to receive, adjudicate, and reprice inpatient claims (using Claimshop DRG grouper) as necessary.
2. **Member Eligibility and Enrollment** – EZ-EDI offers next generation EDI capabilities to easily retrieve member eligibility and benefits information.
3. **Benefits and Referrals Management** – EZ-CAP provides the capability to easily manage referral authorizations and administer the appropriate benefits matrix. Referral details from Online Realtime Centralized Health Information Database (ORCHID) will interface to the EZ-CAP module, which will link

authorization details and member benefits specifically permitted based on the member's health plan benefits to ensure claims payments.

4. **Customer Call Tracking** – Call Center staff will have the ability to navigate, access, and document member or patient data, without having to open multiple screens. This module enhances data flow and workflow across modules, such as claims and referral management.
5. **Provider and Plan Administration** – EZ-CAP supports provider-related business functions by ensuring proper management of members and provider assignment. DHS provider data will be interfaced to EZ-CAP from an external source.
6. **Reimbursement/Capitation Management** – EZ-CAP capitation functionality allows both healthcare providers and payers to manage their direct contracting arrangements, calculate, and track capitation payments. DHS will use this to manage payments to community partner providers, as well as to DHS.
7. **Provider Portal** – EZ-NET is a real-time provider portal that facilitates timely, cost-effective sharing of clinical and administrative information.

In addition, the MCCS will interface with ORCHID for utilization management and referral services.

BUSINESS DRIVERS:

The key business drivers for the project are:

1. Improve DHS' operational efficiency and effectiveness in administering healthcare programs and plan members;
2. Facilitate DHS' role as a capitated provider for various health plans and as payer for My Health LA; and
3. Align with DHS' business development objectives.

PROJECT ORGANIZATION:

Tangerine Brigham, DHS Deputy Director, MCS, is the Project Executive Sponsor and Lauren Simmons, DHS Managed Care Services CIO, is the Project Director. MCS has established a governance structure comprised of clinical, operational, and administrative experts that worked effectively throughout the procurement and contract negotiation process. The team will transition to project governance for system design and implementation phases.

PERFORMANCE METRICS:

MCCS will be governed by service levels and performance standards, including a service availability of 99.8%. The County will receive corresponding credits for failures to meet these service levels.

STRATEGIC AND BUSINESS ALIGNMENT:

The project supports the following County Strategic Plan goals: Operational Effectiveness/Fiscal Sustainability.

	PROJECT APPROACH: Allscripts will have a dedicated and onsite project manager and a team for the duration of the project. MCS will have a similar project team structure and in close collaboration with Allscripts' project management team, MCS will help design, build, test, train and implement the MCCS. MCS subject matter experts will assist in the configuration, based on business rules. DHS is targeting to go live between 12 to 16 months after contract initiation.
	ALTERNATIVES ANALYZED: DHS selected Allscripts from four proposals received from Request for Proposal (RFP). The Commercial Off-The-Shelf (COTS) software provided by Allscripts include EZ-CAP, EZ-EDI and EZ-NET and a third-party product provided by MedAssets, Claimshop, for medical claims repricing.
Technical Analysis	ANALYSIS OF PROPOSED IT SOLUTION: **Solution and Functionality:** EZ-CAP's core components will facilitate claims processing, adjudication and repricing, and member enrollment and eligibility. In addition, EZ-CAP will provide member management, benefits and referrals management, customer call tracking, and provider and plan administration, including reimbursement/capitation management. EZ-EDI allows for inbound and outbound HIPAA-compliant transactions, such as 837 for claims and encounters, and 270/271 for eligibility verification. EZ-NET provides the provider portal functionality, allowing claims to be submitted directly to EZ-CAP for payment. Eligibility verification is also available through EZ-NET. **Application:** Hosted web-based application developed in an MS.NET application framework. **Database:** MS SQL Server. **Interfaced Applications:** ORCHID, CACTUS , Revenue Cycle . **Hosting:** MCCS will be hosted by Medical Technology Solutions, LLC (MTS). MTS will host and manage MCCS within a HIPAA Compliant Tier III Data Center located in Los Angeles, CA. All hardware and software are owned and operated by MTS Healthcare and Allscripts respectively. Back-ups are stored locally and transmitted to the Morristown, NJ data center for disaster recovery. In the event of a complete loss of the Los Angeles Data Center, client's servers will be restored at the Morristown, NJ Data Center within 24 hours.
Financial Analysis	**Agreement costs** **One-time costs:** Implementation Services — $1,841,917 Licensed Software and Hosting Services[1] — $187,172 **Total One-time costs:** — **$ 2,029,089** **Ongoing costs:** Initial Support Term (Years 1-7) Licensed Software — $7,040,040 Hosting Services — $3,713,220 Application Management Services — $693,000 **Total Years 1-7 costs**: — **$11,446,260**

	Three Renewal Support Terms (Years 8-10)	
	Licensed Software	$3,017,160
	Hosting Services	$1,591,380
	Application Management Services	$297,000
	Total Years 8-10 costs:	**$4,905,540**
	Total ongoing costs:	**$16,351,800**
	Transactional pricing elements:	
	Claimshop Transaction Allocation (Years 1-10)[2]	$359,406
	Pool Dollars[3]	**$2,464,429**
	Maximum Contract Sum	**$21,204,724**
	Footnotes: [1] *Accounts for Licensed Software and Hosting Services costs during the MCCS Implementation (from Production Use to Final Acceptance phases).* [2] *Invoiced amounts will be based on County's actual monthly volume of hospital/institutional and professional claims processed by Claimshop.* [3] *Accounts for approved growth events, optional work and professional services.*	
Risk Analysis	RISK MITIGATION: 1. The Chief Information Security Officer (CISO) and Department Informaiton Security Offier (DISO) reviewed the Agreement and did not identify any IT security or privacy related issues.	
CIO Approval	PREPARED BY: ________________________________ Sanmay Mukhopadhyay, Sr. Associate CIO	________________ Date
	APPROVED: ________________________________ Peter Loo, Acting Chief Information Officer	________________ Date

Please contact the Office of the CIO (213.253.5600 or info@cio.lacounty.gov) for questions concerning this CIO Analysis. This document is also available online at http://ciointranet.lacounty.gov/

July 19, 2016

The Honorable Board of Directors
County of Los Angeles Redevelopment Refunding Authority
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Directors:

ISSUANCE AND SALE OF
COUNTY OF LOS ANGELES REDEVELOPMENT REFUNDING AUTHORITY
TAX ALLOCATION REVENUE REFUNDING BONDS,
SERIES 2016A
(ALL DISTRICTS) (3 VOTES)

SUBJECT

The Treasurer and Tax Collector (the “Treasurer”), on behalf of the County of Los Angeles Redevelopment Refunding Authority (the “Authority”), is requesting authorization to issue tax allocation revenue refunding bonds (the “2016 Refunding Bonds”) in an aggregate principal amount not to exceed $290 million. Proceeds from the sale of the bonds will be used to purchase tax allocation refunding bonds (the “Local Obligations”) issued by CRA-LA, a Designated Local Authority and Successor Agency (“CRA-LA Successor Agency”) to the Community Redevelopment Agency of the City of Los Angeles (the “Former RDA”). Such Local Obligations are to be issued for the purpose of achieving debt service savings that will benefit local taxing entities, including the County, that receive a share of the ad valorem property tax.

The 2016 Refunding Bonds are being issued by the Authority pursuant to the State of California Marks-Roos Bond Pooling Act. The payment of debt service on the 2016 Refunding Bonds will be funded exclusively by the CRA-LA Successor Agency with no financial recourse to either the County or the Authority. The issuance of the 2016 Refunding Bonds represents the seventh bond sale to be completed under the County of Los Angeles Redevelopment Bond Refunding Program (the “Program”).

IT IS RECOMMENDED THAT YOUR BOARD, ACTING AS THE BOARD OF DIRECTORS OF THE COUNTY OF LOS ANGELES REDEVELOPMENT REFUNDING AUTHORITY:

Adopt the resolution authorizing all necessary actions related to the issuance and sale of the County of Los Angeles Redevelopment Refunding Authority Tax Allocation Revenue Refunding Bonds, Series 2016A, in an aggregate principal amount not to exceed $290 million to fund the purchase of the Local Obligations.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Effective February 1, 2012, pursuant to Assembly Bill x1 26 ("AB 26"), redevelopment agencies throughout the State were dissolved and prohibited from engaging in future redevelopment activities. AB 26 enabled the formation of successor agencies ("Successor Agencies"), which have the responsibility of winding down outstanding obligations of the former redevelopment agencies.

On June 27, 2012, the State passed Assembly Bill 1484 ("AB 1484"), which included provisions permitting Successor Agencies to refund outstanding bonds or other obligations of a former redevelopment agency to achieve savings. While Successor Agencies can refund their bonds utilizing their own staff, underwriters, lawyers and consultants, the Treasurer developed the Program to assist Successor Agencies that may not have the staff or the time to pursue a refunding on their own. To further benefit the Successor Agencies, the Treasurer structured the Program to include the following key benefits:

1. The County financing team assumes responsibility for marketing the refunding bonds, managing the credit rating process, and coordinating the approval process with the State Department of Finance.

2. The issuance of multiple series of refunding bonds achieves economies of scale, resulting in reduced costs of issuance for each participating Successor Agency.

3. The Treasurer assumes the ongoing continuing disclosure responsibility by serving as dissemination agent for the Local Obligations.

4. Structural enhancements, including the County's intercept of debt service payments, improves the marketability of the refunding bonds and results in lower interest rates and increased savings.

Since the Program was first established in 2013, nine Successor Agencies have participated and over $624 million of tax allocation bonds have been successfully refunded. The refunding transactions have generated gross savings in excess of $166 million that are beginning to be recognized as additional revenue by the County and other local taxing entities.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal #1: Operational Effectiveness/Fiscal Sustainability through collaborative actions between the County and local agencies to refinance outstanding bond obligations of various Successor Agencies to secure additional property tax revenue for the local taxing entities, including the County General Fund.

FISCAL IMPACT/FINANCING

The proposed financing is scheduled to close in August 2016 and will consist of approximately $250 million of taxable debt. The CRA-LA Successor Agency has previously obtained its governing board and oversight board approvals for the proposed refunding.

The total projected debt service savings for the 2016 Refunding Bonds is estimated to be greater than $74 million. These savings will translate to additional property tax revenue for the local taxing agencies that have jurisdiction over the 31 redevelopment project areas within the City of Los Angeles. By lowering the amount of future principal and interest payments on their tax allocation bonds, the CRA-LA Successor Agency will be able to reduce the amount requested on its annual Recognized Obligation Payment Schedules (ROPS). This will result in a smaller claim on tax increment revenues and an increased residual distribution to those local agencies that receive a share of the ad valorem property tax.

Of the projected debt service savings, the City of Los Angeles is expected to receive at least 25% of the additional property tax revenues. The County itself can expect to receive approximately 25% of the gross debt service savings, which is projected to result in over $18.5 million of additional property tax revenue over the life of the bonds. The County General Fund will receive the greatest share of this savings, but certain amounts will also benefit the Flood Control District, Consolidated Fire Protection District, and County Library District.

Upon the successful sale of the 2016 Refunding Bonds, the County will have refunded approximately $890 million of tax allocation bonds through the Program, with an estimated savings in excess of $240 million over the life of the refunding bonds. Based on a conservative estimate, this translates to a total increase of approximately $60 million in County property tax revenue which will be achieved over the same period.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The 2016 Refunding Bonds will be issued pursuant to Health and Safety Code Section 34177.5 and Government Code Section 53580. Utilizing a Marks-Roos structure, the Authority will issue a single series of tax allocation revenue refunding bonds to purchase the Local Obligations. Both the 2016 Refunding Bonds and the underlying Local Obligations will be secured by a pledge of tax increment revenues from each of the 31 CRA-LA Successor Agency project areas.

As a source of financing for its many redevelopment projects, the Former RDA was a large and frequent issuer of tax allocation bonds for its various project areas. The 2016 Refunding Bonds will serve to refinance 46 different series previously issued bonds across 24 project areas. This comprehensive financing effort will be the third and final refunding transaction to be undertaken by the CRA-LA Successor Agency through the Program. In terms of the number of prior bond series being refunded, the 2016 Refunding Bonds are expected to be the largest single refunding transaction ever completed on behalf of a single California borrower. By participating in the Program, the CRA-LA Successor Agency is able to take advantage of the program benefits highlighted above and significantly reduce the Agency's bond-related tasks going forward.

To assist the County with the August 2016 refunding transaction, the Treasurer has assembled a team of professionals with extensive experience in redevelopment financing. Based on the results of a formal solicitation process, Stifel, Nicolaus & Company, Inc. was selected to be the senior managing underwriter, and Citigroup as co-senior manager. KNN Public Finance has been selected as financial advisor, Keyser Marston Associates as fiscal consultant, and Stradling Yocca Carlson & Rauth was chosen as bond and disclosure counsel. Jones Hall will serve as counsel to the underwriters.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Not applicable.

CONCLUSION

Upon approval, 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,

JOSEPH KELLY
Treasurer and Tax Collector

Attachments

c: Chief Executive Officer
Auditor-Controller
County Counsel
Executive Officer, Board of Supervisors
Stradling Yocca Carlson & Rauth

July 12, 2016

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

The Board of Directors of the Los Angeles
County Public Works Financing Authority
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

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

Dear Board Members:

REDEMPTION OF OUTSTANDING
LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY
REVENUE BONDS SERIES 2003A AND 2005A
(ALL DISTRICTS – 4 VOTES)

SUBJECT

The Treasurer and Tax Collector (the “Treasurer”) and the Los Angeles County Flood Control District (the “District”) are requesting authorization to redeem $12,630,000 of the remaining outstanding principal of the Los Angeles County Public Works Financing Authority Refunding Revenue Bonds Series 2003A (the “2003A Bonds”) and the Los Angeles County Public Works Financing Authority Revenue Bonds Series 2005A (the “2005A Bonds”).

ACTING AS THE GOVERNING BODY OF THE LOS ANGELES COUNTY FLOOD CONTROL DISTRICT, IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the resolution authorizing the redemption of $12,630,000 of the remaining outstanding principal of the District's 2003A Bonds and 2005A Bonds.

ACTING AS THE BOARD OF DIRECTORS OF THE LOS ANGELES COUNTY PUBLIC WORKS FINANCING AUTHORITY, IT IS RECOMMENDED THAT YOUR BOARD:

Adopt the resolution authorizing the redemption of $12,630,000 of the remaining outstanding principal of the District's 2003A Bonds and 2005A Bonds.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will authorize the redemption of the remaining outstanding principal of the District's 2003A Bonds and 2005A Bonds on the next interest payment date of September 1, 2016. The proposed redemption will result in gross interest savings of $2,182,995 from Fiscal Year 2016-17 through Fiscal Year 2024-25.

In January 2003, the Los Angeles County Public Works Financing Authority (the "Authority") issued the 2003A Bonds in the principal amount of $143,195,000 to refinance $147,565,000 of outstanding principal from the District's 1993 Series A Certificates of Participation (the "1993 COPs"). Proceeds from the sale of the 1993 COPs were utilized to fund the acquisition of the current Public Works Headquarters and capital improvements to the District's storm drains, retention facilities, and pump stations. The 2003A Bonds have $1,520,000 of remaining outstanding principal, with a final maturity on March 1, 2017.

In July 2005, the Authority issued the 2005A Bonds in the principal amount of $20,540,000 to fund the seismic retrofit of the Public Works Headquarters. The 2005A Bonds have $11,110,000 of remaining outstanding principal, with a final maturity on March 1, 2025.

The interest rates on the outstanding 2003A Bonds and 2005A Bonds range from 4.00% to 4.25%. By using available cash resources to fund the redemption, the District will generate $256,755 of interest cost savings in Fiscal Year 2016-17 and total interest cost savings of $2,182,995 through the final maturity of the 2005A Bonds in Fiscal Year 2024-25.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal #1: Operational Effectiveness/Fiscal Sustainability by utilizing available cash resources to redeem outstanding debt and generate interest cost savings.

FISCAL IMPACT/FINANCING

There will be no impact to the County General Fund.

Sufficient funding is available in Fiscal Year 2016-17 Flood Control District Fund Budget to redeem $12,630,000 of the remaining outstanding principal of the District's 2003A Bonds and 2005A Bonds.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The 2003A Bonds have a final maturity of March 1, 2017, and are eligible for redemption, without premium, on any semi-annual interest payment date after March 1, 2014. The 2005A Bonds have a final maturity of March 1, 2025, and are eligible for redemption, without premium, on any semi-annual interest payment date after March 1, 2016. The next interest payment date for both the 2003A Bonds and the 2005A Bonds is September 1, 2016, which is the target date for the redemption.

In accordance with the provisions of the Trust Indentures for the 2003A Bonds and the 2005A Bonds, a Notice of Redemption must be delivered to the bondholders no later than 60 days and no less than 30 days prior to the redemption. Upon approval of the recommended action, the District will transfer $12,630,000 to the Bank of New York Trust Company, N.A. (the trustee for the 2003A Bonds and the 2005A Bonds) to fund the redemption on or about August 30, 2016.

Stradling Yocca Carlson & Rauth, P.C. has been retained by County Counsel to serve as bond counsel for the redemption, and will provide an opinion attesting that the 2003A Bonds and the 2005A Bonds have been fully defeased in accordance with the provisions of the respective Trust Indentures.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

None.

CONCLUSION

Upon approval of the Resolutions, it is requested that the Executive Officer-Clerk of the Board of Supervisors return two originally executed copies of the adopted Resolutions to the Treasurer and Tax Collector (Office of Public Finance).

Respectfully submitted,

JOSEPH KELLY
Treasurer and Tax Collector

GAIL FARBER
Director of Public Works

JK:JP:pab

Attachments

c: Chief Executive Officer
Auditor-Controller
County Counsel
Department of Public Works