County of Los Angeles

CHIEF EXECUTIVE OFFICE
OPERATIONS CLUSTER

WILLIAM T FUJIOKA
Chief Executive Officer

DATE: November 18, 2010
TIME: 12:30 p.m.
LOCATION: Kenneth Hahn Hall of Administration, **Room 743**

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) **Human Resources/Classifications Project Status Update**
CEO – Steve Masterson or designee
HR – Lisa Garrett or designee

B) **DPSS Board Letter:** Mike Sylvester or designee

- **Approve Amendment No. One To Agreement No. 77217 With SAS Institute Inc. For Data Mining Solution**

C) **ISD Board Letters:** Tom Tindall or designee

- **Award Of Custodial Services Contract**
- **Request For Approval To Purchase Computer Equipment**

D) **TTC Board Letters:** Mark Saladino or designee

- **Approval Of Amendments To Two Delinquent Account Collection Services Agreement**

- **Issuance And Sale Of Los Angeles County Regional Financing Authority Recovery Zone Facility Bonds (Fairplex Project) Series 2010**

- **Approval Of The Los Angeles County Regional Financing Authority Joint Exercise Of Powers Agreement And Authorization To Issue And Sell Recovery Zone Facility Bonds By The Los Angeles County Regional Financing Authority On Behalf Of The Los Angeles County Fair Association**

2. Public Comment

3. Adjournment

DRAFT
10/27/10

December 07, 2010

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

Dear Supervisors:

APPROVE AMENDMENT NUMBER ONE TO
AGREEMENT NO 77217 WITH SAS INSTITUTE INC.
FOR DATA MINING SOLUTION (DMS)

(ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

CIO RECOMMENDATION: APPROVE (X) APPROVE WITH MODIFICATION ( )
DISAPPROVE ( )

SUBJECT

The Department of Public Social Services (DPSS), in collaboration with the Service Integration Branch (SIB) of the Chief Executive Office (CEO), seeks your Board's approval of Amendment Number One to Agreement Number 77217 with SAS Institute Inc. (SAS) for Data Mining Solution (DMS), dated December 22, 2009 (Agreement), in order to conduct a no-cost DMS pilot for the In-Home Supportive Services (IHSS) program (IHSS Pilot).

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Mayor to sign the attached Amendment to the Agreement for the IHSS Pilot to be performed by SAS, upon County's election, at no additional cost to the County beyond the current cost of the DMS development and implementation. The IHSS Pilot is estimated to be completed within ninety (90) days from County's notice to proceed and will include project administration services and assessment of the feasibility of using data mining technology to help County detect and prevent fraud in the IHSS program.

2. Delegate authority to the DPSS Director to designate the County's Project Director under the Agreement to modify the Agreement by Change Notice in order to (i) reduce the scope of work required under the Agreement by eliminating the requirement that SAS implement and support a back-up server due to County's election to utilize SAS' standard business continuity services and (ii) reallocate the cost savings from such reduction in the scope of work, estimated at $117,290, to the pool dollars to be used for the procurement of optional work requested by County.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The goal of the IHSS Pilot is to demonstrate the benefits of utilizing data mining technology to detect and prevent fraud in the IHSS Program. Working with SAS data sets prepared by County staff, SAS will apply advanced analytical models to assess the degree to which statistical analysis can reliably identify the characteristics of IHSS program fraud. Target measures will include current indicators of potential fraud such as fraud referrals, current rules-based algorithms, and actual criminal charges and convictions. The outcome of the IHSS Pilot will be a set of preliminary predictive models that can be used to detect potential fraud. Additionally, County will perform an assessment of cost avoidance potential of the IHSS data mining solution. As part of the IHSS Pilot, SAS will provide project administration services and complete an assessment of the feasibility of using data mining technology to help detect and prevent fraud in the IHSS program.

This Amendment delegates authority to the DPSS Director to designate the County's Project Director to modify the Agreement by Change Notice in order to (i) reduce the scope of work required under the Agreement by eliminating the requirement that SAS implement and support a back-up server due to County's election to utilize SAS' standard business continuity services instead and (ii) reallocate the cost savings from such reduction in the scope of work, estimated at $117,290, to the pool dollars to be used for the procurement of optional work requested by County.

Implementation of Strategic Planning Goals

The recommendation is consistent with the principles of County Strategic Plan Goal #1 (Operational Effectiveness) to provide the public with easy access to quality information and services that are both beneficial and responsive. In addition, this Amendment is consistent with DPSS' objectives for increasing the efficiency and effectiveness of departmental programs through expanded information technology and communications, and is included in the Department's Business Automation Plan (BAP).

FISCAL IMPACT/FINANCING

The current Agreement has a Maximum Contract Sum of $4,230,937, which includes $2,510,955 allocated for DMS Development and Implementation, $1,626,282 for System Maintenance and Support and $93,700 for pool dollars (optional work). The services for the IHSS Pilot under this agreement will be provided by SAS at no additional cost to the County and the Maximum Contract Sum will remain $4,230,937.

Following approval of delegated authority by your Board, the County Project Director will issue a Change Order to reduce the scope of Work surrounding the implementation of a backup server and corresponding DMS Development and Implementation costs by approximately $78,300 and the System Maintenance and Support costs by approximately $38,990, and reallocate the resulting $117, 290 in total funds to the pool dollars for the procurement of optional work requested by County during the term of the

Agreement. This will result in the same Maximum Contract Sum of $4,230,937, comprised of $2,432,655 for DMS Development and Implementation, $1,587,292 for System Maintenance and Support and $210,990 for pool dollars (Optional Work).

FACTS AND PROVISIONAL/LEGAL REQUIREMENTS

This Amendment will become effective upon Board approval. All terms and conditions, including information technology (IT) provisions included in the current Agreement, will continue to apply to the Agreement following execution of the proposed Amendment Number One.

Amendment Number One has been reviewed and approved as to form by County Counsel. The Chief Information Office (CIO) concurs with this joint DPSS' and CEO-SIB's recommendation (see attached CIO Analysis).

CONTRACTING PROCESS

On December 22, 2009, your Board approved Agreement Number 77217 with SAS for the DMS development, implementation, maintenance and support, starting with a data mining solution to detect and prevent fraudulent activities among individuals or groups participating in the County's CalWORKs Stage 1 Child Care Program. The Agreement provides for the ability to add other County public assistance programs to the DMS.

Pursuant to your Board's motion of August 17, 2010, this Amendment Number One authorizes SAS to conduct a ninety (90) day IHSS Pilot for the purpose of assessing data mining technology to target fraud in the IHSS program and establishing a platform that can be leveraged to prevent and detect fraud in other County public assistance programs.

While the IHSS Pilot will be provided by SAS at no additional cost, the County is under no obligation to engage SAS to provide data mining services to detect and prevent fraud in the IHSS program or other County public assistance programs or other services.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The use of the data mining technology in the IHSS program and other County public assistance programs for fraud detection and prevention is expected to result in new fraud referrals, early detection of fraud and increased efficiency, all leading to cost avoidance. As the use of the data mining technology is extended to other public assistance programs beyond CalWORKs and IHSS, the cost avoidance is expected to increase.

CONCLUSION

Upon your Board's approval, it is requested that the Executive Officer-Clerk of the Board of Supervisors return three (3) original signed copies of the Amendment and two (2) adopted stamped Board letters to the Department of Public Social Services.

Respectfully submitted,

WILLIAM T FUJIOKA
Chief Executive Officer

Reviewed by:

RICHARD SANCHEZ
Chief Information Officer

WTF/PLB:af

Attachments

c: Executive Officer, Board of Supervisors
County Counsel
Chief Information Office
Director, Department of Public Social Services
Auditor-Controller
Chair, Information Systems Commission
Director, Internal Services Department

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

TOM TINDALL
Director

Telephone: (323) 267-2101
FAX: (323) 264-7135

"To enrich lives through effective and caring service"

November 30, 2010

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:

AWARD OF CUSTODIAL SERVICES CONTRACT
(ALL DISTRICTS – 3 VOTES)

SUBJECT

Approval of a custodial contract to provide services to various County departments.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that custodial services can be performed more economically by an independent Contractor than by County employees.

2. Approve and instruct the Chairperson to sign the attached agreement (Attachment 1) with Pride Industries, to provide custodial services effective upon Board approval, for a period of two (2) years, with three (3) one-year renewal options and six (6) month to month extensions at an estimated first-year cost of $3,085,665.

3. 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.

4. Authorize the Director of ISD or his designee to add and delete facilities and, upon review by County Counsel, to approve necessary changes to scope of services.

5. 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 currently contracts for custodial services for 22 County departments and Superior Courts at approximately 180 buildings located throughout the County. The work has been divided into, and solicited by, six geographic regions with one Agreement per region. This approach minimizes the risk to the County from any contractor defaults and this model has proven to promote effective management of the work.

The recommended contract is for one region where ISD is currently providing custodial services at approximately 33 facilities to various County departments. The existing contract expires on December 21, 2010, and the recommended actions will ensure that custodial services continue with no lapse in service.

Based on past experience, there are occasions during the term of the Agreement when the scope of service at an individual facility needs to be changed or facilities need to be added or deleted. Therefore, approval of recommendation 4 will provide ISD with the ability to effectively manage these situations.

Implementation of Strategic Plan Goals

The recommended contract supports County Strategic Plan Goals Number 1 (Operational Effectiveness) maximize the effectiveness of the County's processes structure and operations to support timely delivery of customer oriented and efficient public service by providing custodial services Countywide.

FISCAL IMPACT/FINANCING

The first year cost of the agreement is estimated at a total of $3,085,665. The ISD approved FY 2010-2011 budget contains sufficient funding to cover the first year annual expense for the Agreement, and sufficient appropriation will be requested in future years. The cost of the contract will be offset through billings for services provided to County departments.

A Proposition A cost analysis was performed by the Department to determine that the contract is cost effective. The Auditor-Controller has approved the cost analysis which demonstrated that this contract is cost effective (Attachment 2).

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The terms and conditions of the recommended contract have been approved as to form by County Counsel. The contract 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. This contract is subject to the Living Wage Program (County Code Chapter 2.201). The recommended contractor will pay an hourly wage of no less than $11.84 to its employees providing services under the proposed contract.

The contract rates are fixed for the two (2) year term of the contract. The contract allows for a Cost of Living Adjustment (COLA) increase during the option years, if the option years are exercised by the County. The COLA language in the contract complies with your Board's directive that COLA's for Living Wage contracts be limited to only the non-labor costs associated with the contract, unless the Contractor can demonstrate an increase in labor cost.

CONTRACTING PROCESS

On February 4, 2010, ISD released a Request for Proposals (RFP) for Custodial Services and posted the solicitation and contracting opportunity announcement on the County's "Doing Business with Us" web site (Attachment 3). Notice of the RFP was sent by electronic mail to 291 vendors registered with the County (Attachment 4). In addition, the contracting opportunity was advertised in the following publications: Los Angeles Times, Long Beach Press Telegram, and Hoy Newspaper (Spanish language newspaper).

Twenty-five vendors attended the Mandatory Proposer's Conference held on March 2, 2010. Eleven proposals were received on March 31, 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 from August 3 through August 5, 2010. One proposer submitted a protest and requested a County Review. As a result, a County Review Panel was convened, and a hearing was held on November 4, 2010. The County Review Panel did not have any recommended changes.

The recommended vendor has indicated their willingness to interview and consider the existing contractor's workforce for employment with their company under the recommended contract.

A summary of Community Business Enterprise Program information for the recommended vendor is attached (Attachment 5). On final analysis, selections were made without regard to gender, race, creed, or color or national origin.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of this contract will allow the County to continue to provide custodial services for various County departments throughout the County of Los Angeles.

CONCLUSION

Upon Board approval, the Executive Officer, Board of Supervisors, is requested to return one adopted stamped Board letter to ISD as well as two original signed contracts.

Respectfully submitted,

TOM TINDALL
Director

TT:YY

Attachments (5)

c: Chief Executive Officer
County Counsel

COUNTY OF LOS ANGELES
Internal Services Department
1100 North Eastern Avenue
Los Angeles, California 90063

Tom Tindall
Director

To enrich lives through effective and caring service.

Telephone: (323) 267-2101
FAX: (323) 264-7135

November 30, 2010

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
TO PURCHASE COMPUTER EQUIPMENT
(ALL DISTRICTS - 3 VOTES)

CIO RECOMMENDATION:
(X) APPROVE ( ) APPROVE WITH MODIFICATION ( ) DISAPPROVE

SUBJECT

Request approval to purchase computer equipment with a unit cost greater than $250,000 to meet the needs of County departments.

IT IS RECOMMENDED THAT YOUR BOARD:

Authorize the Internal Services Department (ISD) to purchase computer equipment for a total expenditure of $1,318,682, which includes a combination of financed and one-time purchases, to support the growth in the County-wide automated applications.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On an ongoing basis, ISD acquires data processing equipment to meet the computer application needs of County departments. Pursuant to County Policy, Board approval is required when individual components of this equipment exceed $250,000.

This request is for approval to purchase midrange server equipment for ISD at a total acquisition cost including financing of $1,318,682 as follows:

> Purchase one (1) new IBM p770 midrange server to provide the required processing capacity for the DPSS Systematic Measurement, Accountability and Reporting Tool (SMART) Phase II and Phase III implementations for a total

capital asset cost of $340,000. SMART provides DPSS managers with timely information to improve quality and service delivery throughout DPSS.

- Purchase two (2) large capacity IBM p770 midrange servers to provide ISD's customers with a new consolidated Unix hosting solution. The total financed cost of these servers is $978,682. Initial systems to be consolidated onto these servers include: Superior Court's Juvenile Automated Data Enhancement (JADE) system, Auditor Controller's WebFocus reporting application and various e-CAPS systems (e.g. Financials, Budget Prep, Time Collection). This new solution will:
    - o Avoid significant up-front costs for departments for replacement or new servers.
    - o Allow the consolidation of multiple applications onto one larger server, thereby improving management, saving floor space and reducing power consumption costs.
    - o Provide replacement for several existing servers that have reached serviceable end-of-life.

Implementation of Strategic Plan Goals

The purchase of this computer equipment is necessary to meet the information technology requirements of the departments served by ISD and supports the County strategic goal for Operational Effectiveness.

FISCAL IMPACT/FINANCING

Equipment acquisitions will be a combination of financed and one-time purchases as follows:

Equipment	**Cost**	**Total Costs**	**Fiscal Year 10-11 Costs**	**Future Fiscal Year Costs**	**Term**
IBM midrange DPSS server	$340,000	$340,000	$340,000		
IBM midrange large capacity servers (2)	$813,271	$978,682	$97,868	$880,814	5 Years
Total	**$1,153,271**	**$1,318,682**	**$437,868**	**$880,814**	

The IBM midrange DPSS server will be purchased using Capital Assets – Equipment appropriation included in ISD's Fiscal Year (FY) 2010-11 adopted budget. The cost of this equipment will be billed to DPSS during this fiscal year.

The two IBM midrange ISD servers will be financed through LAC-CAL over five years. ISD has sufficient appropriation in its FY 2010-11 Other Charges budget for the first year equipment leasing costs, and will request adequate funding in future fiscal years' budget requests. ISD will recoup the annual lease costs through usage-based charges to client departments. No additional NCC is required for these purchases.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

This request complies with the County Equipment Policy that your Board approved on October 16, 2001. This policy requires that departments obtain Board approval to purchase or finance equipment with a unit cost of $250,000 or greater.

CONTRACTING PROCESS

These equipment items are a commodity purchase under the statutory authority of the County Purchasing Agent. The purchases will be competitively bid by the Purchasing Agent in accordance with the standard County Purchasing policies and procedures.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Your approval will ensure that ISD can acquire the resources necessary to operate County computer systems managed by the Department.

CONCLUSION

The Executive Office, Board of Supervisors, is requested to return one stamped copy of the approved Board letter to the Director, ISD.

Respectfully submitted,	Reviewed by:
TOM TINDALL Director	RICHARD SANCHEZ Chief Information Officer

SD:DC:AB:sg
Attachments

c: Chief Executive Office
County Counsel
Executive Officer, Board of Supervisors

December 7, 2010

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 AMENDMENTS TO TWO DELINQUENT ACCOUNT COLLECTION SERVICES AGREEMENTS
(ALL SUPERVISORIAL DISTRICTS)
(4 VOTES)

SUBJECT

Request approval to extend the term of Delinquent Account Collection Services agreements with USCB, Inc. for the Department of Health Services and Linebarger Goggan Blair & Sampson, LLP for the Treasurer and Tax Collector.

JOINT RECOMMENDATION WITH THE TREASURER AND TAX COLLECTOR THAT YOUR BOARD:

1. Authorize the Interim Director of Health Services (Interim Director), or his designee, to execute Amendment No. 2 to Agreement No. H-703023 with USCB, Inc., effective upon Board approval, to reduce the contingency fee rate and extend the Agreement for the period January 1, 2011 through December 31, 2011 for the continued provision of Delinquent Account Collection Services (DACS) pending the completion of a joint competitive solicitation with the Treasurer and Tax Collector (TTC).

2. Authorize the TTC, or his designee, to execute Amendment No. 2 to Agreement No. 75490 with Linebarger Goggan Blair & Sampson, LLP (Linebarger) to extend the term of the Agreement for the period June 20, 2011 through December 31, 2011 for the continued provision of DACS pending the completion of a joint competitive solicitation with Department of Health Services (DHS).

3. Authorize the TTC, or his designee, to allow Linebarger to negotiate compromise settlements within the parameters set forth in the Agreement in order to facilitate collection efforts.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

In accordance with County Code provisions, TTC and DHS each have delegated authority to provide collection services. TTC provides centralized collection services for delinquent accounts receivable to all County departments, with the exception of departments that have distinct ordinance authority to collect on delinquent accounts such as DHS and the

Probation Department. DHS has delegated authority to provide collection services for delinquent accounts receivable arising from the provision of medical care in County health facilities.

DHS and TTC currently contract for DACS under separate agreements for each department. DHS and TTC are currently collaborating on a joint Request for Proposals (RFP) for DACS, which will maximize proposal submissions and provide for a broader range of competitive commission rates, thereby enhancing revenue collection efforts. The extensions are necessary to coordinate the Agreement expiration dates in order to complete the joint RFP process and recommend successor agreement(s) for your Board's approval. TTC and DHS are committed to developing and releasing a joint RFP during the first quarter of 2011 and anticipate successor contract(s) will be presented for your Board's approval in the third quarter of 2011.

Approval of the first recommendation will allow the Interim Director to execute an Amendment, substantially similar to Exhibit I, with USCB for the continued provision of DACS for self-pay and self-pay residual patient accounts from DHS facilities. The Agreement with USCB expires December 31, 2010.

Approval of the second recommendation will allow the TTC to execute the attached Amendment No. 2, substantially similar to Exhibit II, with Linebarger for the continued provision of DACS to supplement TTC's collection efforts on a variety of accounts referred from other County departments. This collection activity constitutes a secondary collection effort, as the collection activities of the referring department constitute the primary collection effort. In addition, TTC provides tertiary collection services for DHS after their secondary collection efforts have been completed. The Agreement with Linebarger expires June 19, 2011.

Approval of the third recommendation will allow TTC's contractor, Linebarger, to negotiate compromise settlements within the parameters set forth in the Agreement in order to facilitate collection efforts.

California Government Code Section 26220 requires a four-fifths vote of your Board in order to assign delinquent County accounts to a collection agency and Section 31000 allows your Board to contract for these services.

<u>Implementation of Strategic Plan Goals</u>

The recommended actions support Goals 1 and 4, Operational Effectiveness and Health and Mental Health, respectively, of the County's Strategic Plan.

FISCAL IMPACT/FINANCING

DHS

The estimated net revenue collection for the extended term of January 1, 2011 through December 31, 2011 is $9.764 million.

Revenue is included in the DHS' Fiscal Year (FY) 2010-11 Final Budget and will be adjusted in future fiscal years, if needed.

TTC

The estimated net revenue collection for the extended term of June 20, 2011 through December 31, 2011 is $1 million.

In light of the recommended six-month extension for Linebarger, which is less than one year, and consistent with the June 16, 2009 Board motion seeking contract reductions through annual extensions in lieu of re-solicitations, TTC did not pursue a reduction in contingency fee rates.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The County has contracted with private collection agencies for DACS since 1979 to supplement the in-house collection efforts of the original Department of Collections which subsequently was merged into TTC in 1984. After the merger, TTC continued to provide in-house collection activities for various types of delinquent County accounts, as well as contracting for supplemental DACS.

Your Board, through County Code 2.52.040, authorized the TTC to accept offers of settlement in lieu of payment in full. While this collection tool has proved to be effective, the negotiations that often lead to an acceptable offer involve discretionary powers that may only be delegated to a county officer. The TTC has developed objective guidelines for collection agencies to use to negotiate compromise settlements, which have been so narrowly tailored as to be ministerial in nature. County Counsel has concluded that your Board may authorize Linebarger to negotiate offers of settlement within these parameters.

DHS

In February 2001, following a competitive solicitation conducted by TTC, the County contracted with USCB for provision of DACS for TTC account referrals. DHS referred accounts to USCB through TTC. On May 15, 2001, your Board approved a sole source agreement with USCB for the DHS accounts. Subsequently, your Board approved a replacement agreement and amendments extending the term of the Agreement through December 31, 2010.

Based on actual collections for Fiscal Year (FY) 2009-10 under the current agreement, USCB generated approximately $11.908 million in gross revenues, at a contingency fee rate of 18 percent on inpatient accounts, 20 percent on outpatient accounts, and 24 percent on Comprehensive Health Centers/Health Centers accounts. In FY 2009-10, approximately $2.215 million was deducted for fees. In exchange for a term extension of one year, USCB has agreed to lower its contingency fees to 18 percent on all DHS accounts. It is anticipated that the lower contingency fee rate will result in fees of approximately $2.143 million to USCB, a savings of $0.072 million over the current agreement.

<u>TTC</u>

On December 20, 2005, your Board approved a contract with Linebarger effective on December 20, 2005 through June 19, 2011 as a result of an RFP. On February 10, 2009, your Board approved an Amendment to the Contract to provide tertiary collection services for DHS.

TTC's contracted contingency fee rate for the secondary collection services provided by Linebarger is 25 percent. The contingency fee rate for tertiary collections, i.e., outstanding debt having undergone a previous collection effort through DHS' contracted collection agency, is 40 percent.

In addition to extending the term of these Agreements, the recommended amendments include the recently adopted Defaulted Property Tax Reduction Program provision and contain provisions whereby the County may terminate the Agreements for convenience upon prior written notice.

DHS and TTC have determined that the provisions for the Living Wage Program (County Code Chapter 2.201) do not apply to these Agreements, since the services are provided on an as-needed basis. Account referrals made to each contractor fluctuate, and there are no referral guarantees made by the County.

County Counsel has approved Exhibits I and II as to form.

CONTRACTING PROCESS

Not applicable.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

There is no negative impact on current services. The recommended extensions will allow for the continuation of DACS during the joint re-solicitation process and will ensure that DACS will continue to maximize revenue recovery for the County.

Respectfully submitted,

John F. Schunhoff, Ph.D.
Interim Director

Mark J. Saladino
Treasurer and Tax Collector

JFS:skd
MJS:evt
Enclosures (2)

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

Exhibit II

AMENDMENT NUMBER TWO
TO CONTRACT NO. 75490
FOR THE PROVISION OF
DELINQUENT ACCOUNT COLLECTION SERVICES
FOR THE
TREASURER AND TAX COLLECTOR
BETWEEN THE
COUNTY OF LOS ANGELES
AND
LINEBARGER GOGGAN BLAIR & SAMPSON, LLC

This Amendment Number Two (hereinafter "Amendment No. 2") to the Contract (as defined below) is entered into by and between the County of Los Angeles (hereafter “County”) and Linebarger Goggan Blair & Sampson, LLC (hereafter “Contractor”), and is effective as of the Amendment No. 2 Effective Date (as defined below) based on the following recitals:

WHEREAS, County and Contractor have entered into that certain Contract No. 75490, dated as of December 20, 2005 (together with all Exhibits, Schedules and Attachments thereto, all as amended from time to time, hereinafter "Contract"), for Delinquent Account Collection Services (hereinafter "DAC") for the benefit of County and, more specifically, the County of Los Angeles Treasurer and Tax Collector (hereinafter "TTC"). Initial capitalized terms used in this Amendment No. 2 without definition have the meanings given to such terms in the Contract; and

WHEREAS, County and Contractor entered into Amendment No. 1 to the Contract dated as of February 10, 2009 to add tertiary collection services; and

WHEREAS, Contractor and County desire to amend the Contract to extend the current term of the Contract for continued delinquent account collection services and to reflect additional changes described herein; and

WHEREAS, the term of the Contract shall expire June 19, 2011, and County requires additional time to coordinate the contract expiration dates for this TTC Contract with that of the corresponding Department of Health Services (DHS) collection services Agreement, No. H-703023 through December 31, 2011; and

WHEREAS, the Board of Supervisors of the County of Los Angeles has delegated authority to the Treasurer and Tax Collector to execute Amendment No. 2, which has been approved as to form by County Counsel.

NOW, THEREFORE, in consideration of the foregoing recitals, all of which are incorporated, as part of this Amendment No. 2, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, County and Contractor hereby agree as follows:

Exhibit II

1. Amendment No. 2 Effective Date: The Amendment No. 2 shall be effective as of June 20, 2011 through no later than December 31, 2011, and has been executed by an authorized officer of Contractor and has been approved by TTC.

2. Paragraph 5.16 (Compromises) of the body of the Statement of Work shall be deleted in its entirety and replaced with the attached new Paragraph 5.16 as follows:

5.16 Compromises

The Contractor may be authorized to negotiate compromise settlements pursuant to policies and procedures for delinquent accounts.

3. Paragraph 4.0 (Term of Contract) of the body of the Contract is amended by adding Subparagraph 4.4 as follows:

4.0 TERM OF CONTRACT

4.4 The term of the Contract extension shall be effective as of June 20, 2011 and through no later than December 31, 2011.

4. Paragraph 9.5 (Contractor's Warranty of Compliance with County's Defaulted Property Tax Reduction Program) shall be added to the body of the Contract as follows:

9.5 CONTRACTOR'S WARRANTY OF COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM

Contractor acknowledges that County has established a goal of ensuring that all individuals and businesses that benefit financially from County through contract are current in paying their property tax obligations (secured and unsecured roll) in order to mitigate the economic burden otherwise imposed upon County and its taxpayers.

Unless Contractor qualifies for an exemption or exclusion, Contractor warrants and certifies that to the best of its knowledge it is now in compliance, and during the term of this contract will maintain compliance, with Los Angeles County Code Chapter 2.206 (attached as Exhibit M).

5. Paragraph 9.6 (Termination for Breach of Warranty to Maintain Compliance with County's Defaulted Property Tax Reduction Program) shall be added to the body of the Contract as follows:

9.6 TERMINATION FOR BREACH OF WARRANTY TO MAINTAIN COMPLIANCE WITH COUNTY'S DEFAULTED PROPERTY TAX REDUCTION PROGRAM

Failure of Contractor to maintain compliance with the requirements set forth in Paragraph 9.5 – Contractor's Warranty of Compliance with County's Defaulted Property Tax Reduction Program shall constitute default under this contract. Without limiting the rights and remedies available to County under any other provision of this contract, failure of Contractor to cure such default within 10 days of notice shall be grounds upon which County may terminate this contract and/or pursue debarment of Contractor, pursuant to County Code Chapter 2.206.

6. Exhibit M, identified below and attached hereto, shall be added to the Contract.

   - Defaulted Property Tax Reduction Program Ordinance, Exhibit M.

7. Except as expressly provided in this Amendment No. 2, all other terms and conditions of the Contract shall remain the same and in full force and effect.

8. Contractor and the persons executing this Amendment No. 2 on behalf of Contractor hereby represent and warrant that the person executing this Amendment No. 2 for Contractor is an authorized agent who has the actual authority to bind the Contractor to each and every item, condition, and obligation of the Contract and that all requirements of Contractor have been fulfilled to provide such actual authority.

/
/
/
/
/
/
/
/
/
/
/
/
/
/
/
/
/
/
/
/
/
/
/
/
/
/

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be executed by the Treasurer and Tax Collector, and Contractor has caused this Amendment to be executed in its behalf by its duly authorized officers, this _______________ day of ____________, 2010.

COUNTY OF LOS ANGELES

By ___________________________________
Treasurer and Tax Collector

CONTRACTOR
Linebarger Goggan Blair & Sampson, LLC

By ___________________________________
Signature

____
Print Name

____
Title

APPROVED AS TO FORM:

Andrea Sheridan Ordin
County Counsel

By___________________________
Deputy County Counsel

EXHIBIT M

Chapter 2.206 DEFAULTED PROPERTY TAX REDUCTION PROGRAM

2.206.010 Findings and declarations.

The Board of Supervisors finds that significant revenues are lost each year as a result of taxpayers who fail to pay their tax obligations on time. The delinquencies impose an economic burden upon the County and its taxpayers. Therefore, the Board of Supervisors establishes the goal of ensuring that individuals and businesses that benefit financially from contracts with the County fulfill their property tax obligation. (Ord. No. 2009-0026 § 1 (part), 2009.)

2.206.020 Definitions.

The following definitions shall be applicable to this chapter:

A. "Contractor" shall mean any person, firm, corporation, partnership, or combination thereof, which submits a bid or proposal or enters into a contract or agreement with the County.

B. "County" shall mean the county of Los Angeles or any public entities for which the Board of Supervisors is the governing body.

C. "County Property Taxes" shall mean any property tax obligation on the County's secured or unsecured roll; except for tax obligations on the secured roll with respect to property held by a Contractor in a trust or fiduciary capacity or otherwise not beneficially owned by the Contractor.

D. "Department" shall mean the County department, entity, or organization responsible for the solicitation and/or administration of the contract.

E. "Default" shall mean any property tax obligation on the secured roll that has been deemed defaulted by operation of law pursuant to California Revenue and Taxation Code section 3436; or any property tax obligation on the unsecured roll that remains unpaid on the applicable delinquency date pursuant to California Revenue and Taxation Code section 2922; except for any property tax obligation dispute pending before the Assessment Appeals Board.

F. "Solicitation" shall mean the County's process to obtain bids or proposals for goods and services.

G. "Treasurer-Tax Collector" shall mean the Treasurer and Tax Collector of the County of Los Angeles. (Ord. No. 2009-0026 § 1 (part), 2009.)

2.206.030 Applicability.

This chapter shall apply to all solicitations issued 60 days after the effective date of the ordinance codified in this chapter. This chapter shall also apply to all new, renewed, extended, and/or amended contracts entered into 60 days after the effective date of the ordinance codified in this chapter. (Ord. No. 2009-0026 § 1 (part), 2009.)

2.206.040 Required solicitation and contract language.

All solicitations and all new, renewed, extended, and/or amended contracts shall contain language which:

A. Requires any Contractor to keep County Property Taxes out of Default status at all times during the term of an awarded contract;

B. Provides that the failure of the Contractor to comply with the provisions in this chapter may prevent the Contractor from being awarded a new contract; and

C. Provides that the failure of the Contractor to comply with the provisions in this chapter may constitute a material breach of an existing contract, and failure to cure the breach within 10 days of notice by the County by paying the outstanding County Property Tax or making payments in a manner agreed to and approved by the Treasurer-Tax Collector, may subject the contract to suspension and/or termination. (Ord. No. 2009-0026 § 1 (part), 2009.)

2.206.050 Administration and compliance certification.

A. The Treasurer-Tax Collector shall be responsible for the administration of this chapter. The Treasurer-Tax Collector shall, with the assistance of the Chief Executive Officer, Director of Internal Services, and County

Counsel, issue written instructions on the implementation and ongoing administration of this chapter. Such instructions may provide for the delegation of functions to other departments.
B. Contractor shall be required to certify, at the time of submitting any bid or proposal to the County, or entering into any new contract, or renewal, extension or amendment of an existing contract with the County, that it is in compliance with this chapter is not in Default on any County Property Taxes or is current in payments due under any approved payment arrangement. (Ord. No. 2009-0026 § 1 (part), 2009.)

2.206.060 Exclusions/Exemptions.

A. This chapter shall not apply to the following contracts:
1. Chief Executive Office delegated authority agreements under $50,000;
2. A contract where federal or state law or a condition of a federal or state program mandates the use of a particular contractor;
3. A purchase made through a state or federal contract;
4. A contract where state or federal monies are used to fund service related programs, including but not limited to voucher programs, foster care, or other social programs that provide immediate direct assistance;
5. Purchase orders under a master agreement, where the Contractor was certified at the time the master agreement was entered into and at any subsequent renewal, extension and/or amendment to the master agreement.
6. Purchase orders issued by Internal Services Department under $100,000 that is not the result of a competitive bidding process.
7. Program agreements that utilize Board of Supervisors' discretionary funds;
8. National contracts established for the purchase of equipment and supplies for and by the National Association of Counties, U.S. Communities Government Purchasing Alliance, or any similar related group purchasing organization;
9. A monopoly purchase that is exclusive and proprietary to a specific manufacturer, distributor, reseller, and must match and inter-member with existing supplies, equipment or systems maintained by the county pursuant to the Los Angeles Purchasing Policy and Procedures Manual, section P-3700 or a successor provision;
10. A revolving fund (petty cash) purchase pursuant to the Los Angeles County Fiscal Manual, section 4.6.0 or a successor provision;
11. A purchase card purchase pursuant to the Los Angeles County Purchasing Policy and Procedures Manual, section P-2810 or a successor provision;
12. A non-agreement purchase worth a value of less than $5,000 pursuant to the Los Angeles County Purchasing Policy and Procedures Manual, section A-0300 or a successor provision; or
13. A bona fide emergency purchase pursuant to the Los Angeles County Purchasing Policy and Procedures Manual section P-0900 or a successor provision;
14. Other contracts for mission critical goods and/or services where the Board of Supervisors determines that an exemption is justified.
B. Other laws. This chapter shall not be interpreted or applied to any Contractor in a manner inconsistent with the laws of the United States or California. (Ord. No. 2009-0026 § 1 (part), 2009.)

2.206.070 Enforcement and remedies.

A. The information furnished by each Contractor certifying that it is in compliance with this chapter shall be under penalty of perjury.
B. No Contractor shall willfully and knowingly make a false statement certifying compliance with this chapter for the purpose of obtaining or retaining a County contract.
C. For Contractor's violation of any provision of this chapter, the County department head responsible for administering the contract may do one or more of the following:
1. Recommend to the Board of Supervisors the termination of the contract; and/or,
2. Pursuant to chapter 2.202, seek the debarment of the contractor; and/or,
3. Recommend to the Board of Supervisors that an exemption is justified pursuant to Section 2.206.060.A.14 of this chapter or payment deferral as provided pursuant to the California Revenue and Taxation Code. (Ord. No. 2009-0026 § 1 (part), 2009.)

2.206.080 Severability.

If any provision of this chapter is found invalid by a court of competent jurisdiction, the remaining provisions shall remain in full force and effect. (Ord. No. 2009-0026 § 1 (part), 2009.)

November 30, 2010

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

Dear Board of Directors:

ISSUANCE AND SALE OF
LOS ANGELES COUNTY REGIONAL FINANCING AUTHORITY
RECOVERY ZONE FACILITY BONDS (FAIRPLEX PROJECT) SERIES 2010
(ALL DISTRICTS) (3 VOTES)

SUBJECT

The Treasurer and Tax Collector is seeking authorization for the issuance and sale of Los Angeles County Regional Financing Authority Recovery Zone Facility Bonds (Fairplex Project), Series 2010 for the benefit of the Los Angeles County Fair Association to finance the construction of the Fairplex Conference Center Project.

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

> Adopt the resolution authorizing the issuance and sale of the Los Angeles County Regional Financing Authority Recovery Zone Facility Bonds (Fairplex Project) Series 2010 in one or more series in the maximum principal amount not to exceed $33,605,000 for the benefit of the Los Angeles County Fair Association (the “Fair Association”) and for the purpose of financing the Fairplex Conference Center Project (the “Conference Center Project”); and approving the execution and delivery of various legal documents required to issue the bonds and complete the proposed transaction.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On June 30, 2010, the Chief Executive Office (the CEO) issued a Request for Proposals (RFP) to solicit qualified projects for the Recovery Zone Facility Bond Program (the "RZFB Program"). The RZFB Program, which was authorized as a component of the American Recovery and Reinvestment Act (ARRA) in February 2009, was designed to facilitate economic growth throughout the United States by allowing non-governmental borrowers to secure cost-effective tax-exempt financing to fund various capital projects that provide a public benefit, as determined by the governing bodies of the state and local governments that have legal jurisdiction over the project areas. The RZFB Program allows private and non-profit borrowers to issue private activity tax-exempt bonds, up to specific allocation amounts for state and local governments authorized by ARRA, to finance private depreciable property that involves the construction of new facilities, or the modernization of existing facilities. The RZFB Program is similar to the concept of industrial development bonds, but is not limited to manufacturing entities, nor does it have specific job creation requirements.

The issuance of tax-exempt RZFBs was authorized by ARRA to finance capital expenditures within designated "Recovery Zones," which are defined as any area designated by the governing body of a state or local government as an Empowerment Zone or Renewal Community, or any area that is experiencing significant levels of poverty and unemployment, rates of home foreclosures or other economic distress. Based upon an analysis of relevant US Census, Housing and Urban Development statistics and other socio-economic data, your Board designated the entire County as a Recovery Zone on January 26, 2010. Any tax-exempt financings for projects approved by state and local governments for the RZFB program must be issued by December 31, 2010. The County's original allocation authorized by ARRA for the RZFB Program was $271,484,000.

In response to the RFP, the County received nine proposals requesting authorization to issue RZFBs with a total aggregate par amount of approximately $239.7 million. Eight of the nine proposals were determined by the CEO to have met the preliminary requirements to be considered for the RZFB Program. On August 10, 2010, your Board approved the County's RZFB Program allocation for the eight projects in the aggregate amount of $214,755,000, subject to the projects meeting certain financial and other requirements prior to the issuance of any bonds. Your Board also approved the voluntary waiver of the County's remaining $56,729,000 of RZFB program allocation to the California Debt Limit Allocation Committee (CDLAC).

In accordance with County policy for conduit financings, the eight projects that received preliminary approval for the RZFB Program were required to either: (1) secure credit enhancement in the form of a letter of credit for the total par amount of the financing from a commercial bank with a credit rating of not less than “A” by Standard and Poor’s Corporation or “A2” by Moody’s investor service; or (2) arrange for the private placement of bonds to an accredited investor as defined under Rule 501 of Regulation D of federal securities law. Of the eight projects that received preliminary approval for the RZFB Program, only the Fair Association has met the minimum financial requirements to proceed with a tax-exempt financing issued through the County. The Fair Association has requested the County to approve the issuance of the Bonds in one or more series in the maximum principal amount not to exceed $33,605,000, which is comprised of an RZFB Program allocation from the County in the amount of $24,255,000 and a separate allocation from the City of Pomona in the amount of $9,350,000. The proceeds from the sale of the Bonds will be used to finance the cost of construction of the Conference Center Project, which is a conference center, office and light industrial facility located at or near 1101 McKinley Avenue, Pomona, California.

After consultations with County Counsel and the CEO, the Treasurer and Tax Collector (TTC) determined that the most beneficial process for the issuance of bonds under the RZFB Program is for the County to establish a new joint exercise of powers entity in conjunction with the Los Angeles County Public Works Financing Authority (the “PWFA”). In a separate item on today's County Board agenda, the Los Angeles County Regional Financing Authority (the "Authority") was established pursuant to a Joint Exercise of Powers Agreement between the County and the PWFA. Acting as the Board of Directors of the Authority, your Board is now requested to approve the issuance and sale of Recovery Zone Facility Bonds (the "Bonds") in one or more series in the maximum principal amount not to exceed $33,605,000.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal #1: Operational Effectiveness through collaborative actions by the County and the non-profit sector to facilitate economic development in the County.

FISCAL IMPACT/FINANCING

There will be no fiscal impact to the County budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The legal authority to approve the JPA and to establish the Authority is derived pursuant to Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code (commencing with Section 6500), as amended (the “Act”). The Fair Association financing was approved by the California California Debt Limit Allocation Committee (“CDLAC”) and is eligible for the Recovery Zone Facility Bond allocation pursuant to Sections 1400U-1, 1400U-2 and 1400U-3 of the Internal Revenue Code of 1986, as amended. In accordance with Section 6586.5 of the Act, a public hearing was held on November 24, 2010 by TTC, in which members of the general public and interested parties were given an opportunity to be heard on all matters related to the Fair Association financing and the issuance of the Bonds by the Authority.

The Fair Association is a 501(c)(5) non-profit public benefit corporation established under the laws of the State of California. The land associated with the Conference Center Project is owned by the County and leased to the Fair Association. The Conference Center Project will include an 80,000 square foot trade and conference center complex, incorporating the conversion of an existing 34,000 square foot exhibit building with the construction of a new 46,000 square foot facility, and the conversion of horse racing barns into office and light industrial facilities. The primary users of the new conference center facility are expected to be local and regional trade associations, as well as various other private and corporate entities. The total cost of the Conference Center Project is approximately $39 million and is expected to be completed by August 2011.

In the Fair Association financing, the Bonds will be issued pursuant to the terms of an Indenture of Trust, (the “Indenture”), between the Authority and U.S. Bank National Association, and a Bond Purchase Agreement (“the BPA”) between the Authority and Wells Fargo Bank, N.A (“Wells Fargo”). The Authority will sell the Bonds to Wells Fargo in a private placement offering, and the Authority will loan the proceeds to the Fair Association to finance the construction of the Conference Center Project. The loan from the Authority is secured by the revenue producing activities of the Fair Association in accordance with a Loan Agreement (the “Loan Agreement”) between the Authority and the Fair Association. As a private placement offering, the Bonds will be issued without an Official Statement.

The Bonds will be issued as variable rate obligations subject to a mandatory tender on August 26, 2013 and will have a final maturity date of November 1, 2039. The Fair Association has full responsibility for the repayment of the loan to the Authority, the proceeds of which are pledged to the payment of debt service on the Bonds. Neither the County nor the Authority will pledge any funds or have any financial obligation with respect to the repayment of the Bonds. The issuance of the Bonds as tax-exempt obligations will result in significant savings to the Fair Association in the form of lower interest costs over the life of the Bonds.

The attached resolution and the forms of the Indenture, BPA and Loan Agreement have been reviewed and approved by County Counsel, with consultation provided by outside legal counsel. The Chairman, the Treasurer, the Secretary and all other officers of the Authority are authorized and directed to take the necessary actions required to effectuate the purpose of the resolution and to execute all documents required to issue the Bonds on behalf of the Fair Association. The forms of the Indenture, BPA and Loan Agreement are attached for your reference.

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,

MARK J. SALADINO
Treasurer and Tax Collector

MJS:GB:DB:JP:SM

Attachments (4)

c: Chief Executive Officer
County Counsel
Stradling Yocca Carlson & Rauth

November 30, 2010

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

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

Dear Supervisors:

APPROVAL OF THE LOS ANGELES COUNTY REGIONAL FINANCING AUTHORITY JOINT EXERCISE OF POWERS AGREEMENT AND AUTHORIZATION TO ISSUE AND SELL RECOVERY ZONE FACILITY BONDS BY THE LOS ANGELES COUNTY REGIONAL FINANCING AUTHORITY ON BEHALF OF THE LOS ANGELES COUNTY FAIR ASSOCIATION (ALL DISTRICTS) (3 VOTES)

SUBJECT

The Treasurer and Tax Collector is seeking approval of a Joint Exercise of Powers Agreement between the County of Los Angeles and the Los Angeles County Public Works Financing Authority to establish the Los Angeles County Regional Financing Authority; and for the County to authorize the issuance and sale of Recovery Zone Facility Bonds on behalf of the Los Angeles County Fair Association to finance the construction of the Fairplex Conference Center Project.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Adopt the resolution approving a Joint Exercise of Powers Agreement (the “JPA”) between the County and the Los Angeles County Public Works Financing Authority (the “PWFA”) to establish the Los Angeles County Regional Financing Authority (the “Authority”); and

2. Authorize the issuance of Recovery Zone Facility Bonds ("the Bonds"), in one or more series in the maximum principal amount not to exceed $33,605,000 for the benefit of the Los Angeles County Fair Association (the "Fair Association") for the purpose of financing the Fairplex Conference Center Project (the "Conference Center Project"), which is located in the County; and

3. Make a finding and determination of significant public benefit with respect to the establishment of the Authority and the issuance of the Bonds by the Authority pursuant to Government Code Section 6586.5.

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

1. Adopt the resolution approving the JPA between the County and the PWFA to establish the Authority.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On June 30, 2010, the Chief Executive Office (CEO) issued a Request for Proposals (RFP) to solicit qualified projects for the Recovery Zone Facility Bond Program (the "RZFB Program"). The RZFB Program, which was authorized as a component of the American Recovery and Reinvestment Act (ARRA) in February 2009, was designed to facilitate economic growth throughout the United States by allowing non-governmental borrowers to secure cost-effective tax-exempt financing to fund various capital projects that provide a public benefit, as determined by the governing bodies of the state and local governments that have legal jurisdiction over the project areas. The RZFB Program allows private and non-profit borrowers to issue private activity tax-exempt bonds, up to specific allocation amounts for state and local governments authorized by ARRA, to finance private depreciable property that involves the construction of new facilities, or the modernization of existing facilities. The RZFB Program is similar to the concept of industrial development bonds, but is not limited to manufacturing entities, nor does it have specific job creation requirements.

The issuance of tax-exempt RZFBs was authorized by ARRA to finance capital expenditures within designated "Recovery Zones," which are defined as any area designated by the governing body of a state or local government as an Empowerment Zone or Renewal Community, or any area that is experiencing significant levels of poverty and unemployment, rates of home foreclosures or other economic distress. Based upon an analysis of relevant US Census, Housing and Urban Development statistics and other socio-economic data, your Board designated the entire County as a Recovery Zone on January 26, 2010. Any tax-exempt financings for projects approved by state and local governments for the RZFB program must be issued by December 31, 2010. The County's original allocation authorized by ARRA for the RZFB Program was $271,484,000.

In response to the RFP, the County received nine proposals requesting authorization to issue RZFBs with a total aggregate par amount of approximately $239.7 million. Eight of the nine proposals were determined by the CEO to have met the preliminary requirements to be considered for the RZFB Program. On August 10, 2010, your Board approved the County's RZFB Program allocation for the eight projects in the aggregate amount of $214,755,000, subject to the projects meeting certain financial and other requirements prior to the issuance of any bonds. Your Board also approved the voluntary waiver of the County's remaining $56,729,000 million of RZFB program allocation to the California Debt Limit Allocation Committee (CDLAC).

In accordance with County policy for conduit financings, the eight projects that received preliminary approval for the RZFB Program were required to either: (1) secure credit enhancement in the form of a letter of credit for the total par amount of the financing from a commercial bank with a credit rating of not less than "A" by Standard and Poor's Corporation or "A2" by Moody's investor service; or (2) arrange for the private placement of bonds to an accredited investor as defined under Rule 501 of Regulation D of federal securities law. Of the eight projects that received preliminary approval for the RZFB Program, only the Fair Association has met the minimum financial requirements to proceed with a tax-exempt financing issued through the County. The Fair Association has requested the County to approve the issuance of the Bonds in one or more series in the maximum principal amount not to exceed $33,605,000, which is comprised of an RZFB Program allocation from the County in the amount of $24,255,000 and a separate allocation from the City of Pomona in the amount of $9,350,000. The proceeds from the sale of the Bonds will be used to finance the cost of construction of the Conference Center Project, which is a conference center, office and light industrial facility located at or near 1101 McKinley Avenue, Pomona, California.

After consultations with County Counsel and the CEO, the Treasurer and Tax Collector (TTC) determined that the most beneficial process for the issuance of bonds under the RZFB Program is for the County to establish a new joint exercise of powers entity in conjunction with the PWFA. It is therefore recommended that your Board approve the JPA establishing the Authority and authorize the issuance of the Bonds by the Authority on behalf of the Fair Association. Unlike the existing PWFA, the Authority will be utilized solely for the purpose of facilitating conduit financings, and will not serve as an issuer of County debt.

Implementation of Strategic Plan Goals

This action supports the County's Strategic Plan Goal #1: Operational Effectiveness through collaborative actions by the County and the non-profit sector to facilitate economic development in the County.

FISCAL IMPACT/FINANCING

There will be no fiscal impact to the County budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The legal authority to approve the JPA and to establish the Authority is derived pursuant to Articles 1 through 4, Chapter 5, Division 7, Title 1 of the California Government Code (commencing with Section 6500), as amended (the “Act”). The Conference Center Project was approved by CDLAC and is eligible for the Recovery Zone Facility Bond allocation pursuant to Sections 1400U-1, 1400U-2 and 1400U-3 of the Internal Revenue Code of 1986, as amended. In accordance with Section 6586.5 of the Act, a public hearing was held on November 24, 2010 by TTC, in which members of the general public and interested parties were given an opportunity to be heard on all matters related to the Fair Association financing and the issuance of the Bonds by the Authority. In order to proceed with the financing of the Conference Center Project, it is requested that your Board find and determine that there is significant public benefit in entering into the JPA forming the Authority and the issuance of the Bonds by the Authority on behalf of the Fair Association.

The Fair Association is a 501(c)(5) non-profit public benefit corporation established under the laws of the State of California. The land associated with the Conference Center Project is owned by the County and leased to the Fair Association. The Conference Center Project will include an 80,000 square foot trade and conference center complex, incorporating the conversion of an existing 34,000 square foot exhibit building with the construction of a new 46,000 square foot facility, and the conversion of horse racing barns into office and light industrial facilities. The primary users of the new conference center facility are expected to be local and regional trade associations, as well as various other private and corporate entities. The total cost of the Conference Center Project is approximately $39 million and is expected to be completed by August 2011.

In the Fair Association financing, the Authority will sell the Bonds to Wells Fargo Bank, N.A. in a private placement offering, and the Authority will loan the proceeds to the Fair Association to finance the construction of the Conference Center Project. The loan from the Authority is secured by the revenue producing activities of the Fair Association in accordance with a Loan Agreement between the Authority and the Fair Association. The Bonds will be issued as variable rate obligations subject to a mandatory tender on August 26, 2013 and will have a final maturity date of November 1, 2039. The Fair Association has full responsibility for the repayment of the loan to the Authority, the proceeds of which are pledged to the payment of debt service on the Bonds. Neither the County nor the Authority will pledge any funds or have any financial obligation with respect to the repayment of the Bonds. The issuance of the Bonds as tax-exempt obligations will result in significant savings to the Fair Association in the form of lower interest costs over the life of the Bonds.

The attached resolutions and the JPA have been reviewed and approved by County Counsel, with consultation provided by outside legal counsel. Following the adoption of the resolutions by the County and the PWFA, a separate agenda item will be presented that requests your Board, acting as the Board of Directors of the Authority, to authorize the issuance of the Bonds by the Authority on behalf of the Fair Association.

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 resolutions to the Treasurer and Tax Collector (Office of Public Finance).

Respectfully submitted,

MARK J. SALADINO
Treasurer and Tax Collector

MJS:GB:DB:JP

Attachments (3)

c: Chief Executive Officer
County Counsel
Stradling Yocca Carlson & Rauth