



COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR



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MARK J. SALADINO
TREASURER AND TAX COLLECTOR

March 13, 2003

TO: Supervisor Yvonne Brathwaite Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Mark J. Saladino
Treasurer and Tax Collector 

SUBJECT: **LETTER OF CREDIT NEGOTIATIONS FOR TAX-EXEMPT
COMMERCIAL PAPER PROGRAM**

On December 3, 2002, the Board approved an increase in the current Tax-Exempt Commercial Paper Notes program to \$335 million to provide construction financing for the LAC+USC Medical Center Replacement Project. The Board authorized the Treasurer to negotiate with a consortium of banks for a Letter of Credit to provide the necessary credit support for this program. This memorandum is to provide the status on those negotiations.

In our letter to the Board in December, we indicated that the increase in the authorized amount would necessitate the addition of at least one bank to the existing consortium and that fees would likely increase to .45 percent. Due to general fears about the State's budget crisis and an unwillingness to commit additional capital in California, we were unable to secure credit from a fourth bank to add to our consortium. The existing three banks, however, have agreed to fully cover the increased authorization at a rate of .45 percent for outstanding commercial notes and .175 percent for a stand-by commitment to provide coverage as additional notes are issued throughout the construction period.

These are especially aggressive rates in light of the significant concerns of lenders over the economy and our State's budget crisis. The Banks' willingness to provide the additional credit is directly attributable to the long standing relationship established with this consortium in 1995 and their personal observations of the Board's commitment to a prudent and conservative fiscal program over those years.

We expect to finalize all documents and to have the commitments in place by March 31. If you have any questions regarding this program, please call me or your staff may call Deborah Lindholm at 974-7175.

MJS:DTL

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c: Executive Officer-Board of Supervisors
Chief Administrative Officer
County Counsel
Auditor-Controller