



SACHI A. HAMAI  
Chief Executive Officer

## County of Los Angeles CHIEF EXECUTIVE OFFICE

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*"To Enrich Lives Through Effective And Caring Service"*

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April 02, 2019

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

Dear Supervisors:

# ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

51 April 2, 2019

CELIA ZAVALA  
EXECUTIVE OFFICER

### **BOND ANTICIPATION NOTES AUTHORIZATION AND REIMBURSEMENT RESOLUTION ALL DISTRICTS (3 VOTES)**

#### **SUBJECT**

These actions will provide for interim financing of equipment acquisitions for various County departments and enable the County to maximize reimbursement for costs related to the financing of this equipment.

#### **IT IS RECOMMENDED THAT THE BOARD:**

1. Approve the issuance of short-term Bond Anticipation Notes in an aggregate amount not-to-exceed \$17,500,000 to finance the acquisition of various equipment through the Los Angeles County Capital Asset Leasing Corporation.
2. Adopt the Resolution of the Board of Supervisors of the County of Los Angeles declaring its intention to reimburse certain capital expenditures from the proceeds of tax-exempt obligations (2018 -19 Equipment Bond Anticipation Notes Program).

#### **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

Approval of the recommended actions will authorize the issuance of short-term Bond Anticipation Notes (BANs) to provide interim financing of equipment acquisitions for County departments and enable the County to maximize reimbursement for costs related to the financing of this equipment in accordance with federal tax regulations.

## BANs Authorization for Equipment Acquisition

The recommended actions will authorize the issuance of BANs in an aggregate amount not-to-exceed \$17,500,000 to provide interim financing for equipment acquisitions by various County departments. The summary of the \$17,500,000 in authorized equipment purchases using the Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) Equipment Program is attached to the Reimbursement Resolution recommended for approval as part of this action.

On April 10, 2018, the Board authorized \$56,000,000 of LAC-CAL equipment financing as part of the Fiscal Year (FY) 2018-19 Recommended Budget. As a result of changes in departmental requests, the revised LAC-CAL equipment financing authorization is now \$17,500,000.

The BANs will be issued by LAC-CAL and purchased as an investment by the County Treasury Pool in an amount sufficient to acquire and deliver the identified equipment. Subsequently, the BANs will be refinanced through the issuance of intermediate term lease-revenue bonds or other debt securities. Proceeds from the sale of the debt securities will be used to redeem the outstanding BANs from the Treasury Pool.

Due to procurement or delivery delays, authorized LAC-CAL equipment acquisitions occasionally are received in the fiscal year following the one in which they were initiated. The BANs authorization may be carried over into a subsequent fiscal year to fund these acquisitions.

## Reimbursement Resolution

In addition to the approval of the BANs issuance for equipment acquisition, we are requesting that the Board execute the attached Reimbursement Resolution, which has been approved by County Counsel. The Reimbursement Resolution is required by federal tax regulations to enable the County to be reimbursed for prior capital expenditures from the future issuance of tax-exempt obligations, and will enable the County to maximize reimbursement for costs related to the financing of equipment for various County departments.

## Federal Tax Requirements

The current rules governing the reimbursement of expenditures from tax-exempt obligations are found in Treasury Regulation 1.150-2. In order to ensure the continued recovery of allowable expenditures, which are related to equipment acquisitions, the regulations require the Board to adopt an official intent in the form of the Reimbursement Resolution, which states the following:

- The Board's intention to finance expenditures related to equipment acquisitions through the issuance of tax-exempt obligations;
- A general description of the proposed project for which the original expenditures are paid;
- The maximum principal amount of obligations expected to be issued for the project; and
- Identification of the expected source(s) of funds from which the original expenditures are paid.

The attached Reimbursement Resolution meets federal tax regulations and will allow for maximum reimbursement of County expenditures for equipment from the future sale of tax-exempt obligations. A description of the proposed equipment is attached to the Reimbursement Resolution for your

review.

### **Implementation of Strategic Plan Goals**

The proposed recommendations support the Board-approved County Strategic Plan Strategy III.3 - Pursue Operational Effectiveness, Fiscal Responsibility, and Accountability by maximizing and leveraging resources to provide cost-effective financing for the County's equipment acquisitions.

### **FISCAL IMPACT/FINANCING**

Approval of the recommended actions will enable the County to issue BANs to provide interim financing for equipment acquisition and maximize reimbursement of County expenditures for equipment from the future sale of tax-exempt obligations. The term of the equipment financing will match the estimated useful life of the assets being financed (between three to five years). The Auditor-Controller collects monthly payments from County departments participating in the LAC-CAL Equipment Program, which are used to pay the debt service on outstanding BANs and future debt securities issued to refinance the BANs. Funding for equipment financing payments due in FY 2018-19 has been included in the Final FY 2018-19 Budget.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The attached Reimbursement Resolution has been approved by County Counsel.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

The recommended actions will ensure the continuation of the County's long-standing LAC-CAL Equipment Program.

### **CONCLUSION**

Upon approval of the recommendations, please forward an adopted copy of this Board letter and an executed copy of the Reimbursement Resolution to the Chief Executive Office, Capital Programs Division.

The Honorable Board of Supervisors

4/2/2019

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sachi A. Hamai". The signature is written in a cursive, flowing style.

SACHI A. HAMAI

Chief Executive Officer

SAH:JJ: DPH

BMB:AMA:LQ:kb

Enclosures

c: Executive Office, Board of Supervisors  
County Counsel  
Auditor-Controller  
Treasurer and Tax Collector

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE  
COUNTY OF LOS ANGELES DECLARING ITS INTENTION TO  
REIMBURSE CERTAIN CAPITAL EXPENDITURES FROM THE  
PROCEEDS OF TAX-EXEMPT OBLIGATIONS  
(2018-19 EQUIPMENT BANs PROGRAM)

WHEREAS, from time to time the County of Los Angeles (the "County") desires and intends to undertake the purchase of tangible personal property having a useful life of three years or more (the "Equipment"), as set forth in the schedule attached hereto; and

WHEREAS, no funds of the County or of any other entity which is a part of the controlled group of which the County is a part (the "Controlled Group"), as such term is defined in Section 1.150-1 of the United States Treasury Regulations under the Internal Revenue Code of 1986, as amended (the "Treasury Regulations") are, or are reasonably expected to be, allocated, reserved or otherwise set aside in the County's budget or in the Controlled Group's budget on a long-term basis to pay the costs of the Equipment; and

WHEREAS, the costs of the Equipment will initially be paid from the proceeds of Bond Anticipation Notes ("BANs") issued by the Los Angeles County Capital Asset Leasing Corporation ("LAC-CAL") and purchased by the Los Angeles County Treasury Pool; and

WHEREAS, the costs of the Equipment paid with the proceeds of the BANs are expenditures of a type which are properly chargeable to a capital account under general federal income tax principles in connection with the Equipment, and

WHEREAS, the County expects to issue tax-exempt obligations (“Obligations”) to reimburse the capital expenditures of the County with respect to the Equipment which were paid with the proceeds of the BANs; and

WHEREAS, upon issuance of the Obligations, the County will: (1) evidence the reimbursement allocation with an entry in the books or records which it maintains with respect to the Obligations, (2) identify in such entry the actual prior expenditure being reimbursed or the fund from which the expenditure was paid, and (3) be relieved of any restrictions under the relevant legal documents and applicable state law with respect to the amount received as reimbursement as a result of the reimbursement allocation; and

WHEREAS, this Resolution will be reasonably available for public inspection within a reasonable period of time after its date of adoption and in the manner governing the public availability of records of other official acts of the County Board of Supervisors; and

WHEREAS, this Resolution is intended to be a “declaration of official intent” in accordance with Treasury Regulation Section 1.150-2;

NOW, THEREFORE, this Board does find, resolve, determine and order that in accordance with Treasury Regulation Section 1.150-2, the County declares its intention to issue Obligations to finance the Equipment in an amount not to exceed \$17,500,000, the proceeds of which will be used to reimburse the County for capital expenditures paid for the Equipment prior to the issuance of said Obligations.

The foregoing resolution was on the 2<sup>nd</sup> day of April, 2019 adopted by the Board of Supervisors of the County of Los Angeles and *ex-officio* the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.



CELIA ZAVALA, Executive Officer-Clerk  
of the Board of Supervisors of the County  
of Los Angeles

By Rachelle Smitheman  
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM  
COUNTY COUNSEL

By [Signature]  
Deputy County Counsel

SCHEDULE ATTACHMENT  
TO  
RESOLUTION OF THE BOARD OF SUPERVISORS OF THE  
COUNTY OF LOS ANGELES DECLARING ITS INTENTION TO  
REIMBURSE CERTAIN CAPITAL EXPENDITURES FROM THE  
PROCEEDS OF TAX-EXEMPT OBLIGATIONS  
(2018-19 EQUIPMENT BANs PROGRAM)

**LOS ANGELES COUNTY CAPITAL ASSET LEASING (LAC-CAL)  
EQUIPMENT PROGRAM ACQUISITION**  
Summary of Authorized Transactions/Financing Uses by Department - All Funds

Department	Equipment Category	Anticipated 2018-19 Acquisitions
<b>General Fund</b>		
Beaches and Harbors	Vehicles and Transportation Equipment	\$ 226,000
Sheriff	Vehicles and Transportation Equipment	<u>17,274,000</u>
Total General Fund		<u>\$ 17,500,000</u>
<b>Total Financing</b>		<b>\$ 17,500,000</b>

The equipment identified on this page reflects County equipment requirements to be financed through the LAC-CAL Corporation in 2018-19. The Board has not allocated, reserved or otherwise set aside any funds in the County's 2018-19 Adopted Budget to purchase the equipment identified above.

It is officially the intention of the Board that the acquisition of such equipment be initially funded through the issuance of Bond Anticipation Notes (BANs) or another short-term financing mechanism. The BANs will be issued by the LAC-CAL Equipment Program and purchased as an investment by the County Treasury Pool in an amount sufficient to acquire and deliver the identified equipment. Any such costs, which are initially funded by BANs, will be properly capitalized under general federal income tax principles.

Further, the Board expects the outstanding BANs to be redeemed and the County Treasury Pool to be reimbursed, through the issuance of tax-exempt obligations. The amounts specified above represent the maximum principal amounts of such obligations to be issued for the specified equipment.

These official intentions of the Board with respect to the LAC-CAL Equipment Program have been specified in accordance with Treasury Regulation Section 1.150-2.