



County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
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WILLIAM T FUJIOKA
Chief Executive Officer

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March 30, 2010

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

23 MARCH 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

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

**APPROVE RESOLUTION FOR REIMBURSEMENT OF EXPENDITURES FOR THE
MULTISERVICE AMBULATORY CARE CENTER/ANCILLARY BUILDING
(C.P. 70497) AND THE INPATIENT TOWER RENOVATION (C.P. 88945)
PROJECTS AT MARTIN LUTHER KING, JR. MEDICAL CENTER
(ALL DISTRICTS) (3 VOTES)**

SUBJECT

This action will permit the County to use the proceeds of tax-exempt commercial paper to reimburse the County's General Fund for expenditures incurred for existing Board-approved capital projects on the campus of Martin Luther King, Jr. Medical Center initially paid with County general funds to the maximum extent permitted by federal tax laws.

IT IS RECOMMENDED THAT YOUR BOARD:

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 Taxable or Tax-Exempt Obligations (2010 TECP Projects)".

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

We are requesting that your Board execute the attached Reimbursement Resolution, as approved by County Counsel, to comply with federal tax regulations governing the recovery of County capital costs on the Multiservice Ambulatory Care Center/Ancillary Building Project (C.P. 70497) and the Inpatient Tower Renovation Project (C.P. 88945) at Martin Luther King, Jr. Medical Center (Table 1) from tax-exempt bond proceeds. Execution of the Resolution will enable the County to maximize reimbursement of capital costs on these capital projects. On November 3, 2009, your Board approved the financing of these projects through the issuance of long-term Build America Bonds, Recovery Zone Economic Development Bonds, and/or tax-exempt lease-revenue

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lease-revenue bonds. Prior to the issuance of the long-term bonds, project costs are being funded in the interim with tax-exempt commercial paper (TECP).

Table 1: Capital Projects Requiring Reimbursement Resolution

Martin Luther King, Jr. Medical Center Inpatient Tower Renovation Project (C.P. 88945)

Project Budget: \$208,500,000

Description: Design and construction of a new community hospital with emergency services. Scope will include: renovation of existing Trauma Center building to house approximately 120 inpatient beds and other essential hospital services; renovation/conversion of other existing buildings on campus to provide space for various administrative and support services for the new hospital; seismic upgrades; utility relocation; and pneumatic tube installation.

Martin Luther King, Jr. Medical Center Multiservice Ambulatory Care Center (MACC)/Ancillary Building (C.P. 70947)

Project Budget: \$145,300,000

Description: Design and construction of a new approximately 130,000 square-foot MACC/ancillary building which will accommodate an ambulatory surgical center as well as clinical and other services. Scope will also include renovation of several existing buildings on campus to support the new MACC/Ancillary building, site utility infrastructure upgrades, site parking, landscaping and hardscape.

Internal Revenue Service Requirements

In circumstances where funds will be temporarily expended to pay project costs pending the issuance of tax-exempt bonds or commercial paper, Treasury regulations provide generally that those funds can be reimbursed with the proceeds of the tax-exempt bonds or commercial paper only if there is clear evidence around the time of the expenditures of an intention to reimburse the funds temporarily used.

Specifically, the regulations require your Board to adopt a Resolution, which states the following:

- your Board's intention to finance expenditures related to capital projects;
- a statement that any such expenditures would be financed through a tax-exempt issuance of bonds or commercial paper;
- a general description of the proposed project whose expenditures would be reimbursed from the proceeds of such an issue; and
- identification of the expected source(s) of funds, which would initially pay for such expenditures and the maximum principal amount of bonds or commercial paper expected to be issued for the proposed project.

The Honorable Board of Supervisors
March 30, 2010
Page 3

The attached Resolution meets IRS regulations and will allow for reimbursement of County expenditures for the capital projects from future bond or commercial paper sales.

FISCAL IMPACT/FINANCING

The recommended action maximizes the amount of project expenditures, which may be reimbursed with bond proceeds, providing flexibility to finance project expenditures over time. The action does not limit your Board's options concerning the ultimate form or amount of long-term financing used for these capital projects.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The attached Reimbursement Resolution has been reviewed and approved by County Counsel.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The recommended action does not impact current services or projects.

CONCLUSION

Upon approval, please return one adopted copy of this letter to the Chief Executive Office, Capital Projects Division.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:SK
DJT:PB:zu

Attachment

c: Executive Office, Board of Supervisors
County Counsel
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 TAXABLE OR TAX-EXEMPT OBLIGATIONS
(2010 TECP Projects)

WHEREAS, from time to time the County of Los Angeles (the "County") desires and intends to expend funds on certain capital projects (the "Projects"), as set forth in Attachment 1 hereto and incorporated by this reference; and

WHEREAS, certain costs of the Projects will initially be paid from amounts temporarily withdrawn from the General Fund of the County of Los Angeles; and

WHEREAS, the costs of the Projects paid with funds temporarily withdrawn from the General Fund of the County of Los Angeles are expenditures of a type which are properly chargeable to a capital account under general federal income tax principles in connection with the Projects, and

WHEREAS, the County expects to issue taxable or tax-exempt bonds, notes, commercial paper or certificates of participation, or enter into a tax-exempt lease with a third-party lessor (collectively, "Obligations") to reimburse the capital expenditures of the County with respect to the Projects which were paid with amounts initially withdrawn from the County's General Fund; 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 regulations of the United States Treasury 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 portion of the costs of the Projects which are to be reimbursed with proceeds of the Obligations; 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 and (2) identify in such entry the actual prior expenditure being reimbursed or the fund from which the expenditure was paid, and; 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 same 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 Section 1.150-2 of the Treasury Regulations;

NOW, THEREFORE, this Board does find, resolve, determine and order that in accordance with Section 1.150-2 of the Treasury Regulations, the County declares its intention to issue Obligations to finance costs of the Projects in an amount

not to exceed \$353,800,000, the proceeds of which will be used to reimburse the County for capital expenditures paid for the Projects prior to the issuance of said Obligations.

The foregoing resolution was on the 30th day of March, 2010 adopted by the Board of Supervisors of the County of Los Angeles.



SACHI A. HAMAI, Executive Officer,
Board of Supervisors of the County
of Los Angeles

By Lachelle Smitheman
Deputy

APPROVED AS TO FORM:

ANDREA SHERIDAN ORDIN
COUNTY COUNSEL

By Andrea Sheridan Ordin
Principal Deputy County Counsel

ATTACHMENT 1

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 TAXABLE OR TAX-EXEMPT OBLIGATIONS

(2010 TECP Projects)

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