County of Los Angeles
CHIEF EXECUTIVE OFFICE
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
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WILLIAM T FUJIOKA
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
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Third District

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Fifth District

August 21, 2012

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

11 August 21, 2012

Sachi A. Hamai
SACHI A. HAMAI
EXECUTIVE OFFICER

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:

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 $67,500,000 to finance the acquisition of various equipment needs through the Los Angeles County Capital Asset Leasing Corporation; and

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 Taxable or Tax-Exempt Obligations (2012-13 Equipment BANs Program).

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will allow the issuance of new short-term Bond Anticipation Notes (BANs) in 2012-13 to provide interim financing of equipment acquisitions for various County departments in accordance with federal tax regulations and enable the County to maximize reimbursement for costs related to the financing of this equipment.

BANS Authorization for Equipment Acquisition

The recommended actions will authorize the issuance of BANs in an aggregate amount not-to-exceed $67,500,000 to provide interim financing for equipment acquisitions by various County departments. The summary of the $67,500,000 in authorized equipment purchases using the Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) Equipment Financing Program is attached to the Reimbursement Resolution recommended for approval as part of this action. The authorized LAC-CAL equipment purchase list included in this action reflects the $59,360,000 for LAC-CAL equipment financing approved by the Board as part of the 2012-13 Recommended Budget, as well as the adjustment to increase medical equipment acquisition by $8.1 million, which was approved as part of the 2012-13 Adopted Budget. 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 redeemed and the County Treasury Pool reimbursed through the issuance of intermediate-term lease-revenue bonds, notes, certificates of participation, or a lease with a third-party lessor.

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 (included as Exhibit A), as approved by County Counsel, to comply with federal tax regulations governing the recovery of County capital costs from taxable and tax-exempt bond proceeds. Execution of the Reimbursement Resolution will enable the County to maximize reimbursement for costs related to the financing of equipment for various County departments.

Internal Revenue Service Requirements

In 1991, the Internal Revenue Service (IRS) introduced regulations governing the reimbursement of expenditures from bond or Certificates of Participation (COP) proceeds. In order to ensure the continued recovery of allowable expenditures, which

are related to equipment acquisitions, the regulations require the Board to adopt a Resolution, which states the following:

- The Board's intention to finance expenditures related to equipment acquisitions;
- A statement that any such expenditures would be financed through the issuance of tax-exempt or taxable bonds or COPs;
- A qualitative 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 ultimately be utilized to repay the bond or COP obligation.

The attached Reimbursement Resolution meets IRS regulations and will allow for maximum reimbursement of County expenditures for equipment from future bond sales. Prior and current year costs have been included to allow reimbursement from a future bond sale. A description of the proposed equipment is attached to the Reimbursement Resolution for your review.

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 future bond sales. Funding for the repayment of BANs has been included in the Final 2012-13 Budget.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The attached Reimbursement Resolution has been approved by County Counsel.

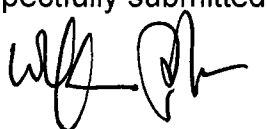
IMPACT ON CURRENT SERVICES (OR PROJECTS)

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 Projects Division.

Respectfully submitted,



WILLIAM T FUJIOKA
Chief Executive Officer

WTF:RLR
DJT:PB:zu

Attachments

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

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EXHIBIT A – REIMBURSEMENT RESOLUTION

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 (2012-13 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 regulation 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 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 Treasurer and Tax Collector of the County; 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 taxable or tax-exempt bonds, notes, or certificates of participation, or enter into a tax-exempt lease with a third-party lessor ("Obligations") to redeem the BANs and 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 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 the Equipment in an amount not to exceed $67,500,000 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 21st day of August, 2012 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.

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

By LaChelle Smitheman
Deputy

APPROVED AS TO FORM:

JOHN F. KRATTLI
COUNTY COUNSEL

By Carmen C. DuPont
Principal 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 TAXABLE OR TAX-EXEMPT OBLIGATIONS (2012-13 EQUIPMENT BANs PROGRAM)

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

Department	Equipment Category	Anticipated 2012-13 Acquisitions
General Fund		
Beaches & Harbors	Vehicles	$ 200,000
Beaches & Harbors	Heavy Maintenance Equipment	350,000
Internal Services	Computer and Data Processing	14,450,000
Internal Services	Telecommunications Equipment	560,000
Sheriff	Vehicles	6,000,000
Total General Fund		$ 21,560,000
Health Services Department		
LAC+USC Medical Center	Medical Equipment	$ 1,350,000
LAC+USC Medical Center	Computer and Data Processing	100,000
Rancho Los Amigos NRC	Medical Equipment	1,000,000
Rancho Los Amigos NRC	Medical Equipment	80,000
Rancho Los Amigos NRC	Non-Medical Equipment	70,000
Metro Care Network-MLK-MACC	Medical Equipment	8,600,000
Metro Care Network-MLK-MACC	Non-Medical Equipment	60,000
Metro Care Network-MLK-MACC	Electronic Equipment	650,000
Metro Care Network - Coastal	Medical Equipment	29,800,000
Metro Care Network - Coastal	Telecommunications Equipment	580,000
Metro Care Network - Coastal	Non-Medical Equipment	1,790,000
Metro Care Network-Southwest	Medical Equipment	400,000
Valley Care Network	Medical Equipment	1,390,000
Valley Care Network	Vehicles	70,000
Total Health Services Department		$ 45,940,000
TOTAL AMOUNT		**$ 67,500,000**

The equipment identified on this page reflects County equipment requirements to be financed through the Los Angeles County Capital Asset Leasing Corporation (LAC-CAL) in 2012-13. The County Board of Supervisors (Board) has not allocated, reserved or otherwise set aside any funds in the County's 2012-13 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 LAC-CAL 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 taxable or tax-exempt, intermediate-term lease revenue bonds, certificates of participation, or through a lease with a third-party lessor. The amounts specified above represent the maximum principal amounts of such intermediate-term 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 U.S. Treasury Regulation 1.150-2.