



WILLIAM T FUJIOKA  
Chief Executive Officer

# County of Los Angeles CHIEF EXECUTIVE OFFICE

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## ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

September 16, 2009

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SEPTEMBER 15, 2009

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. HAMA  
EXECUTIVE OFFICER

Board of Supervisors  
GLORIA MOLINA  
First District

MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

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Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

Dear Supervisors:

### LOS ANGELES COUNTY CONDUIT FINANCING POLICY WITHDRAWAL FROM MEMBERSHIP IN THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY (ALL DISTRICTS) (3 VOTES)

#### IT IS RECOMMENDED THAT YOUR BOARD:

Authorize the Chief Executive Officer to take all necessary actions for the County to withdraw its membership from the California Statewide Communities Development Authority (CSCDA), a joint powers authority (JPA) established for the purpose of issuing bonds and engaging in conduit financing activities.

#### PURPOSE AND JUSTIFICATION OF RECOMMENDED ACTION

On May 27, 2008, my Office provided your Board with a policy recommendation to govern the County's participation in conduit financings (attached). It was determined that going forward the County would not become a member of any new or additional conduit financing JPA and that the County should withdraw from CSCDA, the only such JPA of which we are currently a member.

The County's withdrawal from CSCDA will have no negative impact on the financing operations of the County and will not prevent worthwhile projects from having access to tax-exempt bond financing. The recommendation in this Board letter represents the final step in the development of the County's new conduit financing policy.

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

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Intra-County Correspondence Sent Electronically Only**

After the County's participation in the recently approved tax-exempt financing for Southern California Presbyterian Homes is completed, we request your approval to formally terminate the County's membership in the Joint Exercise of Powers Agreement with CSCDA.

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

This action supports the County's Strategic Plan Goal #1 - Operational Effectiveness: Strategy #1 – Fiscal Sustainability through the implementation of a conduit financing policy that minimizes the risk exposure to the County resulting from conduit financing transactions.

### **FISCAL IMPACT**

There will be no fiscal impact to the County budget.

### **BACKGROUND AND LEGAL REQUIREMENTS**

On May 27, 2008, my Office recommended the following policies with respect to the County's participation in conduit financings:

- The County will not become a member of any new or existing conduit financing JPA and will terminate its membership with CSCDA. Currently, CSCDA is the only conduit financing entity in which the County is a member.
- The Treasurer and Tax Collector will process all conduit financing requests in Los Angeles County, provided that any project located within an incorporated city is supported by the City Council or applicable Councilmember. In each case the County or one of its affiliated authorities can serve as the bond issuer.
- No borrower will be required to use a JPA such as CSCDA or its competitors to serve as bond issuer. However, if a borrower chooses to pursue a financing in an incorporated city through a JPA, any request for "elected official" approval of the financing will be referred to the appropriate municipal government.
- If a conduit financing project includes multiple facilities in different counties, the borrower will be referred to the appropriate State financing authority for assistance. State authorities have statewide jurisdiction and the "elected official" approval is provided by the Governor.

All of the above procedures are intended to protect the County from potential liability, as well as to further your Board's public policy goals. Compliance with the new conduit financing policy will help ensure that bond proceeds are spent as originally intended and that the County's residents will in fact derive the expected public benefits.

The process of providing tax-exempt financing to private entities is referred to as "conduit" financing because the issuer serves as a conduit between the public capital markets (as lender) and the private (usually non-profit) borrower. For all projects located within its boundaries, the County (acting through the Treasurer and Tax Collector) may elect to serve as the conduit issuer for qualified private borrowers. The bonds so issued would be payable solely from funds of the private borrower and the bondholders would have no recourse to County revenues or assets.

In 1988, the California State Association of Counties and the League of California Cities jointly sponsored the creation of CSCDA to serve as a conduit financing bond issuer throughout the State of California (the County became a member of CSCDA in 1997). Unlike a financing authority administered directly by the County or the State, CSCDA is a shell entity operated solely by a private contractor. Similar to other private conduit issuers, CSCDA is not subject to the same reporting and oversight rules that apply to the County and the State. This relative lack of public scrutiny, transparency and regulation is a concern given that CSCDA now ranks as one of the ten largest (of more than 3,000 total) issuers of tax-exempt debt nationwide.

In accordance with Section 13 (Withdrawal and Addition of Parties) of the Amended and Restated Joint Exercise of Powers Agreement Relating to the California Statewide Communities Development Authority (the "Agreement"), the County may withdraw from the Agreement upon written notice to CSCDA. The withdrawal shall be effective following CSCDA's written acknowledgement of this notice and the subsequent filing of such notice as an amendment to the Agreement. It is our intention to transmit the withdrawal notice to CSCDA immediately following your Board's approval of this recommendation and the completion of the County's participation in the Southern California Presbyterian Homes bond issuance.

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

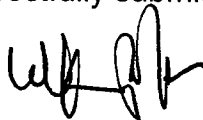
None to the County. Private borrowers within Los Angeles County will retain access to tax-exempt financing through the policies outlined above.

The Honorable Board of Supervisors  
September 16, 2009  
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**CONCLUSION**

Upon approval of the recommendation to withdraw from CSCDA, please return two executed copies of the adopted Board Letter.

Respectfully submitted,



WILLIAM T FUJIOKA  
Chief Executive Officer

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Attachment

c:    Chef Executive Officer  
      Acting County Counsel  
      Executive Officer, Board of Supervisors  
      Treasurer and Tax Collector