

RESOLUTION NO. 19-____

A RESOLUTION OF THE HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES AUTHORIZING THE ISSUANCE AND/OR INCURRENCE FROM TIME TO TIME OF ONE OR MORE SERIES OF HARBOR DEPARTMENT OF THE CITY OF LOS ANGELES REVENUE REVOLVING OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$150,000,000 OUTSTANDING AT ANY ONE TIME IN THE FORM OF A REVOLVING LINE OF CREDIT; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF A CREDIT AGREEMENT, AN INDENTURE OF TRUST, PROMISSORY NOTES AND ALL OTHER RELATED DOCUMENTATION; AND AUTHORIZING CERTAIN OTHER MATTERS AND ACTIONS IN CONNECTION THEREWITH

WITNESSETH:

WHEREAS, the City of Los Angeles, California (the “City”) is a chartered city duly organized and existing under and pursuant to the provisions of the Constitution of the State of California (the “State”) and the Charter of the City (the “Charter”); and

WHEREAS, the Harbor Department of the City (the “Department”) is a Proprietary Department (as defined in the Charter) of the City, established and provided for by the Charter, having control of its own revenues and funds and under the management and control of a Board of Harbor Commissioners (the “Board”); and

WHEREAS, pursuant to Section 609 of the Charter and the Charter implementation ordinance (the “Procedural Ordinance”) relating to the procedures for issuance and sale of revenue bonds by the Department under Section 609 of the Charter, which Procedural Ordinance is codified at Division 11, Chapter 1, Article 6.5, Sections 11.28.1 through 11.28.9, of the City Administrative Code, the Department has the power to borrow money and to issue bonds, refunding bonds, notes and other evidences of indebtedness for any lawful purpose relating to the Department payable from the revenues of the Department and from any other money lawfully available to the Department or under its control, in the form and manner approved by the Board; and

WHEREAS, the Department plans to authorize the exercise of the power pursuant to Section 609 of the Charter, and has determined that it is in its best interest at this time, to implement a short-term borrowing program for the purposes of providing money to finance and refinance the Projects (as defined in the hereinafter defined Indenture) and for such other financing needs of the Department (including, but not limited to, the refunding and restructuring of indebtedness of the Department); and

WHEREAS, the Department has determined that it is appropriate and beneficial for the purposes of the Department to implement such short-term borrowing program through the issuance and/or incurrence of revenue revolving obligations and that such revenue revolving obligations be issued and/or incurred, from time to time, in the form of “Harbor Department of

the City of Los Angeles Revenue Revolving Obligations” (the “Revolving Obligations”) which shall be issued and/or incurred through a revolving line of credit (the “Revolving Line of Credit”) and may be outstanding at any one time in an aggregate principal amount not exceeding \$150,000,000; and

WHEREAS, the Revolving Line of Credit will be provided to the Department by PNC Bank, National Association (the “Bank”) pursuant to a credit agreement (the “Credit Agreement”) to be entered into by and between the Department and the Bank, whereby the Department will be allowed to request Advances (as defined in the Credit Agreement), from time to time, to finance and refinance the Projects and for such other financing needs of the Department (including, but not limited to, the refunding and restructuring of indebtedness of the Department); and;

WHEREAS, the Advances, the Revolving Loans (as defined in the Credit Agreement), the Term Loans (as defined in the Credit Agreement) and the Bank Notes (as hereinafter defined) will be issued and/or incurred pursuant to the Indenture and the Credit Agreement, as applicable; and

WHEREAS, the obligations incurred by the Department pursuant to the terms of the Credit Agreement (including, but not limited to, the Advances, the Revolving Loans and the Term Loans) will be evidenced by one or more promissory notes (collectively, the “Bank Notes”); and

WHEREAS, the Advances, the Revolving Loans, the Term Loans and the Bank Notes will be secured by, and payable from, Revenues and such other funds and accounts as provided in the Indenture and the Credit Agreement; and

WHEREAS, the Revolving Loans and the Term Loans may be incurred under the Credit Agreement whereby the interest paid by the Department on such Revolving Loans and Term Loans may be (i) excluded from the gross income of the recipients thereof under the varying provisions of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or related thereto (collectively, the “Code”) or (ii) included in the gross income of the recipients thereof under the Code; and

WHEREAS, the Board is required, pursuant to Section 11.28.1 of the Procedural Ordinance, to adopt a resolution authorizing the issuance and/or incurrence of the Revolving Obligations (including, the Advances, the Revolving Loans and the Term Loans) and the Bank Notes; and

WHEREAS, pursuant to Section 11.28.1(a) of the Procedural Ordinance, such resolution must, at a minimum, specify; (a) the purposes for which the Revolving Obligations and the Bank Notes are to be issued and/or incurred; (b) the maximum principal amount of the Revolving Obligations and the Bank Notes to be issued and/or incurred; (c) the maximum term for which any of the Revolving Obligations and Bank Notes are to run; and (d) the maximum interest rate or cost, to be determined in the manner specified in this Resolution, to be incurred through the issuance and/or incurrence of the Revolving Obligations and the Bank Notes; and

WHEREAS, the Department further desires to request (a) the City Clerk of the City to present forthwith this Resolution to the City Council; and (b) the City Council, by at least a majority vote of its members, and the Mayor to approve this Resolution within the Time Period (as defined in the Procedural Ordinance) specified in Section 11.28.2 of the Procedural Ordinance; and

WHEREAS, the following documents have been presented to this Board:

- (a) a form of the Indenture of Trust (the “Indenture”) to be entered into by and between the Department and U.S. Bank National Association, as trustee (the “Trustee”);
- (b) a form of the Credit Agreement; and
- (c) forms of the Bank Notes (which are attached to the Credit Agreement as Exhibits A-1, A-2 and A-3 thereto); and

WHEREAS, said documents will be modified and amended to reflect the various details applicable to the Revolving Obligations and the Revolving Line of Credit and said documents are subject to completion to reflect the details applicable to the Revolving Obligations and the Revolving Line of Credit; and

WHEREAS, all acts, conditions and things required by the laws of the State and by the Charter and Procedural Ordinance to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing and refinancing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Department is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing and refinancing for the purpose, in the manner and upon the terms herein provided; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Harbor Commissioners of the City of Los Angeles, as follows:

Section 1. Findings. The Board hereby determines that the forgoing recitals are true and correct.

Section 2. Authorization of Revolving Obligations. The Board hereby authorizes the issuance and/or incurrence, from time to time, of the Revolving Obligations in the form of the Revolving Line of Credit to be provided by the Bank pursuant to the Credit Agreement, on the terms and conditions to be determined by the Board, subject to the following specified parameters:

- (a) the Revolving Obligations are to be issued and/or incurred, from time to time, for the purpose of financing and refinancing the Projects and for such other financing needs of the Department (including, but not limited to, the refunding and restructuring of indebtedness of the Department);
- (b) the aggregate principal amount of all Revolving Obligations outstanding at any one time shall not exceed \$150,000,000;

(c) the Bank's commitment to make Advances under the Credit Agreement, and the related Revolving Loans, shall have a term not exceeding three (3) years from the effective date of the Credit Agreement, unless such date is earlier terminated pursuant to the terms of the Credit Agreement or extended, reduced or rescinded by a subsequent resolution of the Board (and approved by the Bank), and any Term Loan made under the Credit Agreement shall have a term not exceeding four (4) years following the date of conversion of the applicable Revolving Loan to a Term Loan in accordance with the terms of the Credit Agreement; and

(d) the outstanding principal amount of each Revolving Loan and each Term Loan shall bear interest at the interest rates set forth in the Credit Agreement. Notwithstanding anything to the contrary in the previous sentence or the provisions of this Resolution, interest payable by the Department on any Revolving Loan or Term Loan shall not exceed the lesser of (i) the highest rate permitted by applicable law and (ii) twelve percent (12%) per annum (the "Maximum Rate"); provided, however, if the rate of interest calculated in accordance with the terms of the Credit Agreement exceeds the Maximum Rate, interest at the rate equal to the difference between the rate of interest calculated in accordance with the terms of the Credit Agreement and the Maximum Rate shall be deferred until such date as the rate of interest calculated in accordance with the terms of the Credit Agreement ceases to exceed the Maximum Rate, at which time the Department shall pay the Bank the deferred interest as provided in the Credit Agreement.

Section 3. Payable from Harbor Revenue Fund. The Revolving Obligations, the Bank Notes and all Obligations (as defined in the Credit Agreement) of the Department under the Indenture and the Credit Agreement shall be payable by the Department from the Harbor Revenue Fund in accordance with the Charter and shall have such priority on the moneys in the Harbor Revenue Fund as shall be set forth in the Indenture and the Credit Agreement.

As provided in Section 609 of the Charter, the Revolving Obligations, the Bank Notes and the Obligations authorized hereunder shall not constitute or evidence an indebtedness of the City, or a lien or charge on any property or the general revenues of the City, but shall constitute and evidence an obligation of the Department, payable only from revenues of the Department, and not out of any other fund or moneys of the City.

Section 4. Approval of Financing Documents; Authorization for Execution. The Board hereby approves in all respects the forms, terms and provisions of the Indenture, the Credit Agreement and the Bank Notes (collectively, the "Financing Documents") substantially in the forms now before the Board, and hereby authorizes and directs the Executive Director of the Department, the Deputy Executive Director and Chief Financial Officer of the Department (the "Deputy Executive Officer/CFO"), and the Director, Debt & Treasury Division of the Department or any one or more thereof (each an "Authorized Representative") to execute, acknowledge and deliver the Financing Documents, including counterparts thereof, for and in the name of and on behalf of the Department. The Financing Documents, as executed and delivered, shall be in substantially the forms now before the Board and hereby approved, or with such changes therein as shall be approved by Authorized Representative(s) executing the same and the execution thereof shall constitute conclusive evidence of the Board's approval of any and all changes or revisions therein from the forms of the Financing Documents now before the Board.

From and after the execution and delivery of the Financing Documents, the officers, agents and employees of the Department are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Financing Documents.

Section 5. Designated Representatives. The Board appoints the Executive Director of the Department, the Deputy Executive Officer/CFO, and the Director, Debt & Treasury Division of the Department (or such other titles as the Board may from time to time assign for such respective positions), including any such officer serving in an acting or interim capacity, and any other persons the Executive Director of the Department or the Deputy Executive Officer/CFO may designate in writing, to serve as “Designated Representatives” of the Department under the terms of this Resolution, the Indenture and the Credit Agreement. The Designated Representatives are, and each of them is, hereby authorized and are hereby directed to perform those duties set forth in the Financing Documents including, without limitation, the execution of a Request for Advance and Revolving Loan (as described in the Credit Agreement). The Designated Representatives are, and each of them is, also authorized to make representations, certifications and warranties in connection with implementing and obtaining the Revolving Line of Credit and the issuance and/or incurrence of Advances, Revolving Loans and Term Loans as and when required in the Financing Documents and the certifications and agreements relating to the federal tax exemption with regards to certain advances. The Designated Representatives are hereby further authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Financing Documents.

Section 6. Attestations. Each of the Authorized Representatives, the Secretary of the Board or any of their respective designees are each hereby authorized and directed, acting alone, for and on behalf of the Department, to attest the signatures of the Authorized Representatives, and to affix and attest the seal of the Department, as may be required or appropriate in connection with the execution and delivery of the Financing Documents.

Section 7. Good Faith Estimates. In accordance with SB 450, good faith estimates for the following three scenarios are forth in Exhibit A attached hereto: (1) the Department does not request any Advances or incur any Revolving Loans throughout the three year term of the Credit Agreement; (2) the Department requests an Advance and incurs a Revolving Loan in the aggregate principal amount of \$50 million and repays such Advance and Revolving Loan within 120 days; and (3) the Department requests an Advance and incurs a Revolving Loan in the aggregate principal amount of \$50 million and repays such Advance and Revolving Loan on the maturity date of the Credit Agreement (three years from its date of execution).

Section 8. Additional Authorization. The Authorized Representatives and all officers, agents and employees of the Department, for and on behalf of the Department, are hereby authorized and directed to do any and all things necessary to effect the execution and delivery of the Financing Documents, and to carry out the terms of the Financing Documents. The Authorized Representatives and all other officers, agents and employees of the Department are further authorized and directed, for and on behalf of the Department, to execute all papers, documents, certificates and other instruments that may be required in order to carry out the

authority conferred by this Resolution and the Financing Documents or to evidence said authority and its exercise.

Section 9. Costs of Issuance. The Board hereby specifically authorizes funds of the Department together with a portion of the proceeds of the Revolving Loans to be used to pay costs of issuance and/or incurrence of the Revolving Obligations and the Bank Notes and the continuing costs of the Revolving Line of Credit, including but not limited to costs of attorneys, accountants, verification agents, financial advisors, the costs associated with rating agencies, printing, publication, mailing and other communication expenses and any related filing fees, and including the reasonable initial, periodic and continuing fees and expenses of the Bank and the Trustee under the Credit Agreement and the Indenture, as applicable.

Section 10. Severability. The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

Section 11. Approval by City Council and Mayor. The Board hereby requests (a) the City Clerk of the City to present forthwith this Resolution to the City Council; and (b) the City Council, by at least a majority vote of its members, and the Mayor to approve this Resolution within the Time Period (as defined in the Procedural Ordinance) specified in Section 11.28.2 of the Procedural Ordinance.

Section 12. Ratification of Prior Actions. All actions heretofore taken by the officers, employees and agents of the Department prior to the date this Resolution becomes final as described in Section 13 hereof in connection with or related to the issuance and/or incurrence of the Revolving Obligations and the Bank Notes and the execution and delivery of the Financing Documents, are hereby approved, ratified and confirmed.

Section 13. Effective Date. This Resolution shall take effect upon approval by the Mayor and City Council in the manner and at the time set forth in the Charter and the Procedural Ordinance, including Sections 11.28.1, 11.28.2, 11.28.5 and 11.28.7 of the Procedural Ordinance.

APPROVED AS TO FORM AND LEGALITY

_____, 2019
MICHAEL N. FEUER, City Attorney
Janna B. Sidley, General Counsel

By _____
Heather M. McCloskey, Deputy

CERTIFICATION

The undersigned, duly qualified and acting as Secretary of the Harbor Department, certifies that the foregoing is a true and correct copy of a Resolution adopted at a legally convened meeting of the Board of the Department held on _____, 2019.

By _____
Secretary, City of Los Angeles
Board of Harbor Commissioners

Dated: _____, 2019

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from Frasca & Associates, LLC, municipal advisor to the Department (the “Municipal Advisor”) with respect to the revolving line of credit and the related Credit Agreement approved in the attached Resolution, and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”). As noted in the resolution from the staff of Debt and Treasury of the Department, the Department does not currently expect to request an Advance and incur any Revolving Loans under the Credit Agreement. However, in the spirit of complying with SB 450 the Department has provided three different scenarios: (1) the Department does not request any Advances or incur any Revolving Loans throughout the three year term of the Credit Agreement; (2) the Department requests an Advance and incurs a Revolving Loan in the aggregate principal amount of \$50 million and repays such Advance and Revolving Loan within 120 days; and (3) the Department requests an Advance and incurs a Revolving Loan in the aggregate principal amount of \$50 million and repays such Advance and Revolving Loan on the maturity date of the Credit Agreement (three years from its date of execution).

Scenario 1. No Advance or Revolving Loans under the Credit Agreement (3 years). Based on terms of the Credit Agreement, the Department is required to pay an annual Commitment Fee of 0.15% of the amount of the Available Commitment (\$150 million) that is not drawn. If the Department does not request any Advances and incur any Revolving Loans throughout the three year term of the Credit Agreement, the Department would owe the Bank \$228,125.00 per year for an aggregate total of \$684,375.00 for the three years of the Credit Agreement.

In addition to the Commitment Fee, the Department would owe one time finance charges, which are fees and charges paid to third parties, of \$171,000, as follows:

(a)	Bond Counsel and Disbursements	\$ 72,000
(b)	Municipal Advisor and Disbursements	59,000
(c)	Bank Counsel	<u>40,000</u>
	Total	<u>\$171,000</u>

Scenario 2. \$50 Million Advance and Revolving Loans That is Repaid in 120 days.

Based on terms of the Credit Agreement, a \$50 million Advance and Revolving Loan outstanding for 120 days would have a total cost of:

Par Drawn	\$50,000,000.00
Interest Rate	
- 79% of 1-month LIBOR ¹	1.96%
- Applicable Spread ²	<u>0.34%</u>
- All-in Interest Rate	2.30%
- Total Interest due in 120 days	\$383,085.45
Principal and Interest due in 120 days	\$50,383,085.45
Commitment Fee during 120-day period Revolving Loan is outstanding	
- Available Commitment	\$100,000,000.00
- Commitment Fee	0.15%
Commitment Fee for 120 days	\$50,000.00
Commitment Fee for remaining term of the Credit Agreement after the Revolving Loan is paid	
- Available Commitment	\$150,000,000.00
- Commitment Fee	0.15%
Commitment Fee for remaining term of the Credit Agreement after the Revolving Loan is paid (2 years and 8 months)	\$609,375.00
Total Principal/Interest/Commitment Fee due over 3-year period of the Credit Agreement	<u>\$51,042,460.45</u>

¹ Current 1-month LIBOR is 2.47913%

² Per the terms of the Credit Agreement

In addition to the Principal and Interest and Commitment Fee, the Department would owe one time finance charges, which are fees and charges paid to third parties, of \$171,000, as follows:

(a) Bond Counsel and Disbursements	\$ 72,000
(b) Municipal Advisor and Disbursements	59,000
(c) Bank Counsel	<u>40,000</u>
Total	<u>\$171,000</u>

Scenario 3. \$50 Million Advance and Revolving Loans That is Repaid in Three Years. Based on terms of the Credit Agreement, a \$50 million Advance and Revolving Loan outstanding for three years would have a total cost of:

Par Drawn	\$50,000,000.00
Interest Rate	
- 79% of 1-month LIBOR ¹	1.96%
- Applicable Spread ²	<u>0.34%</u>
- All-in Interest Rate	2.30%
- Total Interest due for 3-year period	\$3,495,654.73
Principal and Interest due for 3-year period	\$53,495,654.73
Commitment Fee	
- Available Commitment	\$100,000,000.00
- Commitment Fee	0.15%
Commitment Fee for 3-year period	\$456,250.00
Total Principal/Interest/Commitment Fee due in for 3-year period	<u>\$53,951,904.73</u>

¹ Current 1-month LIBOR is 2.47913%

² Per the terms of the Credit Agreement

In addition to the Principal and Interest and Commitment Fee, the Department would owe one time finance charges, which are fees and charges paid to third parties, of \$171,000, as follows:

(a)	Bond Counsel and Disbursements	\$ 72,000
(b)	Municipal Advisor and Disbursements	59,000
(c)	Bank Counsel	<u>40,000</u>
	Total	<u>\$171,000</u>

Miscellaneous. One-hundred percent (100%) of all proceeds of any Advance and Revolving will be received by the Department. There are no reserves established for the Advances or Revolving Loans.

Attention is directed to the fact that the foregoing information constitutes good faith estimates only. The actual borrowing costs and Commitment Fees may vary from the estimates above due to variations from these estimates in the timing of Advances and incurrence of Revolving Loans, the amount of the Advances and Revolving Loans, and LIBOR rate from time to time. The date any Advance and Revolving Loan will be determined by the Department based on need to provided funds for the Department's financing needs and other factors. Market interest rates are

affected by economic and other factors beyond the Department's control. The Department has approved a maximum true interest cost of 12%.