



# CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

# R-40

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

April 18, 2006

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager to develop bond documents in preparation of financing the expansion of parks and open space in underserved communities; and, once the documents are prepared, return to the City Council with the proposed bond financing and issuance of debt in an amount not to exceed \$25 million. (Districts 1, 2, 6, 7, 9)

## DISCUSSION

On August 9, 2005, the City Council approved an action authorizing the City Manager to develop and recommend a financing structure to provide funding for the acquisition and development of new open space (attachment A). The action was taken to aggressively address the lack of sufficient park space in densely populated, underserved neighborhoods identified in the City's Open Space Element of the General Plan, and in the Strategic Plan of the Department of Parks, Recreation and Marine.

The proposed projects (attachment B) are within Community Development Block Grant (CDBG) and Redevelopment areas. The proposed locations were selected by targeting existing parks in densely populated communities that could be expanded. This approach of leveraging existing locations is believed to be the most cost effective given the high cost of land. Some new parks are also being proposed in areas where parks do not currently exist.

The development of parks and open space is an eligible use of CDBG funding. Typically, communities receiving CDBG use it for capital projects, like new parks. While Long Beach has allocated some CDBG funding for public improvements, the majority of funding has traditionally been used for programs and services.

Based on extensive financial analysis, that included input from a team of bankers and financial consultants, staff is recommending the City issue Open Space Bonds in the amount of \$25 million. The financing structure will carefully take into account fiscal constraints, with annual debt service being covered in the early years by current CDBG allocations, and in later years with Redevelopment Agency (RDA) loan repayments to

the General Fund that will be restricted to CDBG purposes. It is also possible that the proceeds of Open Space Bonds will allow the City to leverage future State park bonds for open space development.

#### TIMING CONSIDERATIONS

City Council action is requested on April 18, 2006 to allow for timely development of required financing documents, which must be brought back to the City Council for formal approval.

#### FISCAL IMPACT

As mentioned above, staff suggests that the annual debt payments for the Open Space Bonds be paid from CDBG allocations. Investors generally will not invest in bonds where the source of repayment is subject to annual government appropriations, without a considerable premium by way of higher interest rates. This is the case with the federal CDBG allocations. Such a premium would make an Open Space Bond cost prohibitive. Given this constraint, staff is recommending the City issue Open Space Bonds that are backed by the General Fund, with the intent of making annual debt payments utilizing CDBG funds. Given the City's solid credit rating, this financing structure is anticipated to provide for the most favorable interest rates.

The City is in the process of developing the CDBG budget for Fiscal Year 2007 and is working to accommodate the estimated Open Space Bond debt service. It is anticipated the first ten years of annual debt service will be approximately \$1,000,000. To cover this payment, it will be necessary to eliminate some CDBG funded programs. It should also be noted that the City's CDBG allocation could change from year to year depending upon the federal budget (CDBG is subject to annual congressional approval). Should CDBG allocations not be available for the Open Space Bond payments, another funding source would have to be used (for example redevelopment or Park Impact fees); if alternative funding was also not available, the City's General Fund is obligated for the Bond debt service. Should the General Fund be forced to make the debt service payment, either service reductions or new revenues would be required to avoid creating a structural imbalance in the fund.

To utilize CDBG funding for debt service payments, it is necessary to receive approval from the Department of Housing and Urban Development (HUD). The City reviewed this proposal with HUD staff and received initial verbal support, but is waiting for written confirmation.

Staff is also recommending that future Redevelopment Agency (Agency) loan repayments to the City be used to make annual debt service on the Open Space Bonds. The current loan amount between the City and Agency is \$85 million, of which \$51 million is restricted to CDBG eligible uses. Upon termination of the Downtown Project Area in 2018, the Agency will make significant annual loan repayments to the City. Staff

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is recommending an Open Space Bond repayment schedule to minimize payments through 2018, with increasing payments to coincide with the Agency repayments to the City.

Beyond the cost of the proposed debt, the continued expansion of park space has the real and immediate effect of obligating future General Fund resources for maintenance, staffing and other related expenses. Such resources have not been identified and thus represent an unfunded future liability for the City. If/when they are found, however, they will be the same resources that could be used for program restorations, residential street repair, library or other General Funded program support.

City Council approval of the recommended action does not obligate the City to issue debt. Required bond documents will be returned to the City Council for approval at a future date.

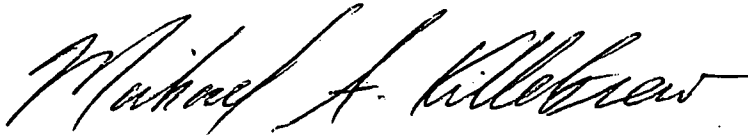
SUGGESTED ACTION:

Approve recommendation.

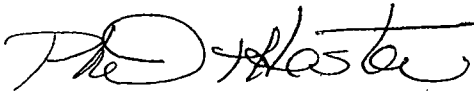
Respectfully submitted,



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PHW:jca  
CcltrApr4 Open Spacev8

Attachments

APPROVED:



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GERALD R. MILLER  
CITY MANAGER