

**DATE:** 5/28/2019

**TO:** Board of Harbor Commissioners

**FROM:** Sam Joumblat, Managing Director of Finance & Administration

**SUBJECT:** Authorization for Issuance of City of Long Beach, California Harbor Revenue Bonds, Series 2019A

**Executive Summary**

Staff requests authorization for issuance of the City of Long Beach, California Harbor Revenue Bonds, Series 2019A (Series 2019A Bonds), in a principal amount not-to-exceed \$200 million to pay and/or reimburse the Harbor Department for the costs of the development, design and construction of the Port’s new headquarters building.

**Key Points**

- After the Board of Harbor Commissioners (Board) adopts the Bond Resolution it will be submitted to City Council and City Council will be requested to approve on June 11, 2019 the issuance of the Series 2019A Bonds.

**Recommendation**

In order to proceed with the debt issuance by the City, acting by and through the Board, it is requested that the Board adopt the Bond Resolution which approves the issuance of the Series 2019A Bonds and the form of the Preliminary Official Statement, and authorizes the execution of the Bond Purchase Agreement, the Continuing Disclosure Certificate and other related documents. Because these documents are voluminous, only electronic copies have been provided; however, hard copies can be supplied upon request.

These are standard documents that are mostly technical in nature, but are required to be executed and delivered in order to sell the Series 2019A Bonds. The Finance Division has coordinated with the City Treasurer, City Attorney’s Office, the Port’s Municipal Advisor (Public Resources Advisory Group), Bond Counsel (Kutak Rock LLP) and Disclosure Counsel (Stradling Yocca Carlson & Rauth, a Professional Corporation), on this bond issue.

**Financial Impact**

The issuance of the Series 2019A Bonds will result in additional debt service payable by the Harbor Department. Staff estimates approximately \$339 million of additional debt service payments as a result of the issuance of the Series 2019A Bonds.

The estimated sources and uses of funds for the Series 2019A Bonds are as follows:

Sources*	
Principal Amount	\$ 164,600,000
Original Issue Premium	35,944,257
Total Sources	<u>200,544,257</u>
Uses*	
Costs of New Port Headquarter Building	\$ 200,000,000
Costs of Issuance**	544,257
Total Uses	<u>200,544,257</u>

\* Estimates are provided by the Port's Municipal Advisor, Public Resources Advisory Group, and are subject to change within approved not-to-exceed parameters based on investor demand and market conditions.

\*\* Includes both costs of issuance and underwriters' discount.

The Port's Municipal Advisor, Public Resources Advisory Group, has estimated that (i) the true interest cost for the Series 2019A Bonds will be 3.50%, based on market conditions as of April 30, 2019 which will differ from market conditions at the time of pricing in June 2019 and (ii) assuming a true interest cost of 3.50%, the total debt service paid on the Series 2019A Bonds through maturity would be approximately \$339 million. All of these metrics are subject to changing market conditions and may be higher or lower than estimated.

### **Background**

The Port currently has approximately \$901.9 million of outstanding bond indebtedness, including \$574.8 million of Harbor Revenue Bonds and \$327.1 million of Harbor Revenue Short-Term Notes for the Gerald Desmond Bridge.

### **Detailed Discussion of Current Issues**

#### **Documents for Adoption and Approval**

#### **Bond Authorizing Resolution**

The Bond Resolution authorizes the sale of not to exceed \$200 million aggregate principal amount of the Series 2019A Bonds to (1) pay and/or reimburse the Harbor Department for capital expenditures incurred or to be incurred by the Harbor Department at the Port, including, but not limited to, the new Port Headquarters Building; (2) if determined by the Board (acting through a Designated Officer) to be in the best interest of the Harbor Department, provide for credit support for all or a portion of the Series 2019A Bonds; and (3) pay the costs of issuing the Series 2019A Bonds. The Bond Resolution approves and authorizes the execution and distribution of the financing documents related to the issuance of the Series 2019A Bonds. It also requests the City Council to approve the issuance of the Series 2019A Bonds.

## **Bond Purchase Agreement**

The Bond Purchase Agreement sets forth the terms of the purchase and sale of the Series 2019A Bonds and will be entered into between the City, acting by and through the Board, and the underwriters of the Series 2019A Bonds. The proposed underwriters for the Series 2019A Bonds are Goldman Sachs & Co. LLC (Goldman Sachs), Citigroup Global Markets Inc., Siebert Cisneros Shank & Co. L.L.C., and Wells Fargo Bank, National Association. These underwriting firms were selected from the City's underwriting pool based on their responses to a Request for Information (RFI) describing their recommended and alternative financing structures, fees, and team members proposed to work on the financing. Based on their response to the RFI, Goldman Sachs was chosen to be the senior manager for the Series 2019A Bonds. Details of the sale, including par amounts, coupons, yields, and call features will be determined when the Series 2019A Bonds are priced. The Bond Purchase Agreement also includes representations and covenants of the Board with respect to various legal and financial aspects of the issuance of the Series 2019A Bonds.

## **Preliminary Official Statement**

The Preliminary Official Statement (POS) is the primary offering document of the Board regarding the Series 2019A Bonds and is similar to a prospectus for other types of securities issues. It summarizes the terms of the issuance and flow of funds and describes the operating and economic features of the Port, including the most recent available audited financial statements. It also contains the forms of the tax opinion of bond counsel and the Continuing Disclosure Certificate.

## **Continuing Disclosure Certificate**

The Continuing Disclosure Certificate establishes the Board's commitment to meet the requirements of Rule 15c2-12 of the Securities Exchange Act of 1934, which requires issuers to provide updated financial and operational information to the Municipal Securities Rulemaking Board, or its designee, on an annual basis and to provide notices of certain enumerated events.

## **Documents for Reference**

### **1. City Council Resolution**

The resolution of the City Council approves the issuance of the Series 2019A Bonds, in accordance with City Charter Section 1211. The forms of the Supplemental Resolution to be adopted by the Board after the sale of the Series 2019A Bonds are attached to the City Council Resolution for reference.

### **2. Twenty-Second Supplemental Resolution**

The Twenty-Second Supplemental Resolution is needed as a supplement to the Master Senior Resolution. The Master Senior Resolution was adopted in 1989 and prescribes the general terms for issuance of Harbor Revenue Bonds (including the Series 2019A Bonds). The Series 2019A Bonds will be issued under the Twenty-Second Supplemental Resolution. The Board will be requested to adopt the Twenty-Second Supplemental Resolution when all the terms and conditions are determined after the Series 2019A Bonds are priced.

The current financing schedule calls for Board adoption of the Bond Resolution on May 28, 2019 and the City Council adoption of the City Council Resolution on June 11, 2019. The Series 2019A Bonds are expected to price on, or about, June 26-27, 2019, depending on market conditions. The Harbor Department has the option of postponing or abandoning the Series 2019A Bond issuance if the market becomes unfavorable. For the Series 2019A Bonds, final actions include the Board's adoption of the Twenty-Second Supplemental Resolution on July 8, 2019, which will be followed by an expected closing on July 11, 2019.

It is requested that the Board adopt the Bond Resolution, approve the issuance of the Series 2019A Bonds and the form of the POS, and authorize the execution of the Bond Purchase Agreement, the Continuing Disclosure Certificate and other related documents.

Attachment(s):

1. Board of Harbor Commissioners Bond Authorizing Resolution;
2. Bond Purchase Agreement
3. Preliminary Official Statement;
4. Continuing Disclosure Certificate;
5. City Council Resolution
6. Twenty-Second Supplemental Resolution