



Legislation Details (With Text)

File #: 10-1151 **Version:** 1 **Name:** FM/LBA - Airport Senior Revenue Bonds

Type: Resolution **Status:** Adopted

File created: 9/30/2010 **In control:** City Council

On agenda: 10/19/2010 **Final action:** 10/19/2010

Title: Recommendation to adopt resolution to approve the Second Supplemental Senior Trust Indenture to the Master Senior Indenture and other related bond documents; authorize City Manager to execute documents for the issuance of Airport Senior Revenue Bonds Series 2010 A and B, in an aggregate amount not to exceed \$70,000,000 to refinance the design costs and finance the construction of the Phase I Terminal Improvements at the Long Beach Airport, pay off the balance of the Airport Commercial Paper Program and finance the cost of bond issuance;

Receive supporting documentation into the record regarding the Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing; and

Increase appropriations by \$38,876,000 (\$37,313,000 for the Phase I Terminal Improvements and \$1,563,000 to pay the first debt service payment) in the Airport Enterprise Fund (EF 320) in the Airport Department (AP). (District 5)

Sponsors: Financial Management, Long Beach Airport

Indexes: Bonds

Code sections:

Attachments: 1. 101910-R-27sr&att.pdf, 2. 101910-R-27 Prelim Off State.pdf, 3. 101910-R-27 Supporting docs.pdf, 4. RES-10-0131.pdf

Date	Ver.	Action By	Action	Result
10/19/2010	1	City Council	approve recommendation and adopt	Pass

Recommendation to adopt resolution to approve the Second Supplemental Senior Trust Indenture to the Master Senior Indenture and other related bond documents; authorize City Manager to execute documents for the issuance of Airport Senior Revenue Bonds Series 2010 A and B, in an aggregate amount not to exceed \$70,000,000 to refinance the design costs and finance the construction of the Phase I Terminal Improvements at the Long Beach Airport, pay off the balance of the Airport Commercial Paper Program and finance the cost of bond issuance;

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On February 18, 2003, the City Council authorized the completion of an Environmental Impact Report (EIR) for the Airport Terminal Improvement Project (Project). From February 2003 through June 2006, the City conducted the EIR process culminating in City Council certification of the EIR on June 20, 2006. On April 24, 2007, the City Council authorized the preparation of final plans and specifications, cost estimates and a financing plan for

construction of the Project.

Focusing on customer service, staff identified three immediate priorities for construction of the terminal component of the Project: permanent structures to serve as passenger holdrooms, a consolidated passenger screening checkpoint and enhanced concession areas. These priorities served as the benchmark for the design of the Phase I Terminal Improvements approved by the Long Beach Planning Commission on April 15, 2010.

On November 3, 2009, the City Council authorized the issuance of the Senior Airport Revenue Bonds Series 2009 A, B, and C in an aggregate amount of \$61,440,000 to refund the portion of the Airport Commercial Paper Notes related to the design of the parking structure component of the Project, prepay the Airport 1993 Certificates of Participation, and finance the construction costs and capitalized interest related to the parking structure currently under construction.

On September 3, 2010, the Long Beach Airport released a bid package for construction of the Phase I Terminal Improvements. Bids will be opened in early October 2010 and City Council authorization for execution of a contract for construction is scheduled for November 9, 2010. The Phase I Terminal Improvements will replace the existing temporary modular facilities with permanent holdrooms and concession facilities. The project will include 34,750 square feet of new construction and 6,500 square feet of remodeled space. The new construction will house holdrooms, restrooms, concessions and secured circulation corridors. The remodeled space will be utilized as a consolidated passenger security-screening checkpoint. A central garden area will connect the new north and south holdrooms.

Improvements	Estimated Costs (as of 9/24/10)
Phase I Terminal Improvements	\$37,313,000
Commercial Paper Redemption	\$16,082,000
Debt Service Reserve Fund	\$4,050,500
Capitalized Interest Fund	\$3,536,579
Cost of Issuance	<u>\$825,386</u>
	<u>\$61,807,465</u>

Commercial Paper

As authorized in 2004 and amended in 2008 and 2009 by the City Council, the Airport Commercial Paper Program was implemented to issue an aggregate amount not to exceed \$25 million to finance ongoing maintenance of capital assets, rehabilitation to the Airport and design costs related to the Project. Upon pay off, the Airport Commercial Paper Program will be suspended. The supporting letter of credit will be terminated. Moving forward, the Airport's capital projects will be funded on a "pay-as-you-go" (PAYGO) basis. At this time, the Airport does not contemplate any additional long-term financing.

Funding

The Series 2010 Bonds are special limited obligations of the City, payable solely from the secured pledge of net revenues derived from Airport operations, including all of its revenue functions, facilities and properties, whether or not directly related to air transportation. Neither the full faith and credit nor the taxing power of the City shall be pledged to the payment of principal or interest on the Series 2010 Bonds. In addition, approximately 80-85 percent of the Phase I Terminal Improvements are eligible for payment from Passenger Facility Charges (PFC). On June 15, 2010, the City Council authorized the execution of an application with the Federal Aviation Administration for the use of PFC revenues for PFC-eligible project costs for the construction

of the Phase I Terminal Improvements.

This letter was reviewed by Chief Assistant City Attorney Heather Mahood on October 1, 2010 and Budget Officer Victoria Bell on October 4, 2010.

In an effort to take advantage of the current historically low interest rate environment and the Alternative Minimum Tax (AMT) holiday, which is expected to expire on December 31, 2010, the City has targeted mid-November 2010 for sale of the Bonds. Missing this window of opportunity will significantly increase the cost of the Bonds. The proposed bond sale schedule was structured to lead the tremendous volume of year-end bond sales. Customarily, City Council authorization to sell bonds is sought concurrently with the award of a construction contract. However, due to recent events in the bond markets, a longer educational period is required to more fully inform institutional investors about the unique aspects of new bond issues in order to meet our targeted sales date. The actual sale of the Bonds will not occur until after City Council authorizes a construction contract award, scheduled for November 9, 2010.

These actions have no impact to the General Fund. Bonds will not be issued prior to the contract award. The not to exceed amount of \$70,000,000 is considered sufficient to cover the expected construction contract authorization, pay off of Commercial Paper, cash fund the Debt Service Reserve Fund, Capitalized Interest Fund, and cost of issuance. The Series 2010 Bonds are supported by a net revenue pledge of the Airport. For Fiscal Year 2011, an increase in appropriations of \$37,313,000 for terminal improvements is requested in the Airport Fund (EF 320) in the Airport Department (AP). This increase in appropriations will be funded with proceeds from the sale of the Series 2010 Bonds. An additional appropriation increase for Fiscal Year 2011 of \$1,563,000 is requested for the first year's debt service payment that will be funded with Capitalized Interest Funds and Airport net operating revenues. Upon issuance of the 2010 Bonds and retirement of the Airport Commercial Paper program, total annual debt service for the Airport will be approximately \$8,500,000, supported by the Airport's net operating revenues and Passenger Facility Charges (PFCs).

The bond financing authorization has no direct impact on local jobs. The impact to local jobs, as a result of the Phase I Terminal Improvements, will be reported when the request to award the construction contract is brought to City Council on November 9, 2010.

Approve recommendation.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH, CALIFORNIA, AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$70 MILLION IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF LONG BEACH, CALIFORNIA SENIOR AIRPORT REVENUE BONDS SERIES 2010A AND SENIOR AIRPORT REVENUE BONDS SERIES 2010B; APPROVING A SECOND SUPPLEMENTAL SENIOR TRUST INDENTURE, PRELIMINARY AND FINAL OFFICIAL STATEMENTS A BOND PURCHASE AGREEMENT AND A CONTINUING DISCLOSURE CERTIFICATE AND CERTAIN RELATED MATTERS.

LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

MARIO RODRIGUEZ
DIRECTOR, LONG BEACH AIRPORT

APPROVED:

PATRICK H. WEST
CITY MANAGER