File #: 12-0940, **Version:** 1

Recommendation to receive supporting documentation into the record regarding the issuance of Long Beach Bond Finance Authority (LBBFA) Refunding Bonds, conclude the hearing and adopt resolution approving proceedings by the LBBFA for the issuance of 2012 Lease Revenue Refunding Bonds Series A and B, in a total amount not to exceed $90,000,000, to refund the 1998 Series B Temple and Willow, 2005 Series A Temple and Willow, 2001 Plaza Parking Facility, 2002 Public Safety Facilities, 2003 Skylinks Golf Course, and the 2004 Series A Long Beach Towne Center Site bonds, and approving related documents and actions. (Districts 1,2,3,5)

The City proposes to issue 2012 Lease Revenue Refunding Bonds Series A and B to refund the 1998 Series B Temple and Willow, 2005 Series A Temple and Willow, 2001 Plaza Parking Facility, 2002 Public Safety Facilities, 2003 Skylinks Golf Course, and the 2004 Series A Long Beach Towne Center Site bonds, in order to take advantage of current market interest rates, release various properties currently pledged, and reduce risk. The City will save approximately $11.8 million over the remaining 20-year term, or an average annual savings of approximately $600,000.

Under this proposed refunding structure, the current six issuances will be consolidated into one lease revenue refunding structure with a tax exempt Series 2012A and taxable Series 2012B. The proceeds from the 2012 Series A and B bonds and the existing debt service reserve funds will be used to refund the outstanding aggregate principal amount of approximately $84,625,000 of the various bonds and notes and pay the cost of issuance. The bonds will be structured without a debt service reserve fund lowering the required issuance amount and minimizing the cost of holding the reserve.

The 2012 refunding bonds will reduce the interest rate risk for the General Fund by refunding the variable interest rate for the 2004 Series A Towne Center Site bonds. A fixed rate structure will allow a refunding at historically low fixed rates, providing a known stream of payments in the future. The 2012 refunding bonds also provides the opportunity to release the excess assets pledged to the current six issuances. Since the initial issuances, the bonded debt has been paid down and the value of the pledged property has increased thus creating a surplus of value. This action will unencumber approximately $47 million in pledged City assets.

This matter was reviewed by Assistant City Attorney Charles Parkin on October 22, 2012 and Budget Management Officer Victoria Bell on October 24, 2012.

City Council action is requested on November 13, 2012 to take advantage of current market rates to achieve the lowest possible financing cost for the City. The sale of the 2012 lease revenue refunding bonds is planned for late November and final settlement in mid-December.

The maximum annual debt service payment for the proposed 2012 Lease Revenue Refunding Bonds Series A and B is approximately $6.5 million. Depending on financial market conditions at sale, Net Present Value savings are projected to be about 15.08 percent, or $10.7 million, with total debt service savings estimated at $11.8 million over 20 years through the final maturity in 2032. Starting in Fiscal Year 2014, annual savings will accrue to the Fleet Services Fund (IS 386) and the General Fund (GP) thus providing budget relief for the remaining life of the bonds. There is no local job impact associated with this recommendation.

Approve recommendation.

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:

PATRICK H. WEST
CITY MANAGER