



## Legislation Text

---

**File #:** 10-0706, **Version:** 1

---

Recommendation to adopt resolution authorizing City Manager to execute documents for the renewal of the Letter of Credit enhancement for the City of Long Beach Gas and Oil (LBGO) Department's Subordinate Revenue Commercial Paper Notes Series A and Series B (Taxable) at an annual cost not to exceed \$125,000. (Citywide)

On July 12, 2005, the City Council adopted a resolution authorizing the issuance of the Gas Utility commercial paper program up to \$35,000,000 and authorizing the City Manager to execute all necessary documents (attached). The Letter of Credit is a credit guarantee that supports the commercial paper program.

The purpose of the commercial paper program is to provide LBGO financing for certain capital improvements. These improvements include selective removal and replacement of aging gas pipeline, meters, and valves; upgrade from six pressure districts to one uniform pressure district; upgrade or removal of district regulating stations; and upgrades to the cathodic protection system. Upgrading the overall gas infrastructure system will increase safety and lower operating costs.

Improvement costs are proposed to be partially financed utilizing the short-term commercial paper program. Currently, \$5,504,000 of commercial paper is outstanding. It is common industry practice to use short-term commercial paper financing, followed by longer term financing, to fund ongoing utility infrastructure programs. To meet its current short-term infrastructure funding needs, LBGO plans to renew the expiring letter of credit at a level sufficient to guarantee \$15,000,000 of outstanding commercial paper. As projected short-term infrastructure needs evolve, the letter of credit guarantee may be adjusted accordingly.

This item was reviewed by Chief Assistant City Attorney Heather A. Mahood on June 24, 2010 and Budget Management Officer Victoria Bell on June 14, 2010.

City Council action is requested on July 6, 2010 in order to have a new Letter of Credit in place, as the current Letter of Credit expires July 27, 2010.

There is no General Fund impact. The letter of credit relates to the Gas Fund (EF 301) and will be paid from the commercial paper program proceeds that will be secured by a pledge of the Gas Utility Enterprise. The annual cost to the Gas Fund will not exceed \$125,000. There are no local jobs impacted by this action.

Approve recommendation.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH APPROVING AMENDMENTS TO THE EXISTING REIMBURSEMENT AGREEMENT RELATING TO THE CITY OF LONG BEACH, CALIFORNIA SUBORDINATE GAS UTILITY REVENUE COMMERCIAL PAPER NOTES, SERIES A AND SERIES B (TAXABLE), AND AUTHORIZING ACTIONS RELATED**

THERETO

LORI ANN FARRELL  
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

CHRISTOPHER J. GARNER  
DIRECTOR OF LONG BEACH GAS AND OIL

APPROVED:

PATRICK H. WEST  
CITY MANAGER