



Legislation Text

File #: 12-0136, **Version:** 1

Recommendation to receive supporting documentation into the record regarding the issuance of Long Beach Bond Finance Authority Refunding Bonds, adopt resolution approving proceedings by the Long Beach Bond Finance Authority for the issuance of refunding revenue bonds in an amount not to exceed \$118,000,000 related to the Aquarium of the Pacific, and approving related documents and actions. (District 2)

In 1995, the Aquarium of the Pacific, a California nonprofit public benefit corporation (Corporation), issued the Long Beach Aquarium of the Pacific (AoP) Revenue Bonds 1995 Series A and B in the aggregate amount of \$117,545,000 to finance the acquisition and construction of the AoP facility.

In 2001, the Long Beach Bond Finance Authority (Authority) issued \$129,520,000 of Lease Revenue Bonds in order to refund the AoP Revenue Bonds 1995 Series A and B in the outstanding aggregate amount of \$114,250,000, issued by Corporation. The AoP Series 2001 Refunding Bonds are secured by a first lien and pledge of rental payments from the Corporation, certain pledged parking revenues, Transient Occupancy Taxes (TOT), and the Tidelands Operations Fund revenues. Related to the 2001 restructuring of the 1995 Corporation bond debt, the City, Authority and Corporation entered into the 2001 Site Lease Agreement, 2001 Lease Agreement, Implementation Agreement (2001 Implementation Agreement), an Amended and Restated Owner Participation Agreement (2001 OPA), and an Amended and Restated City Pledge Agreement (2001 Pledge Agreement).

Under the 2001 Site Lease Agreement, the City leased the AoP and location site to the Authority. Under the 2001 Lease Agreement, the Authority leased the AoP and location site to the Corporation. As specified in the 2001 OPA, the rental payments of the Corporation, and certain TOT, are sources of revenues to be used in the repayment of the AoP 2001 Refunding Bonds, which are also backed by the Tidelands Operations Fund.

Staff recommends issuing the AoP 2012 Refunding Bonds, in an amount not to exceed \$118,000,000, to refund the outstanding AoP 2001 Refunding Bonds in order to take advantage of current market interest rates, release the TOT pledge under the 2001 OPA, allow the City to enter into a new City Pledge Agreement, and pay for the cost of issuance.

The AoP 2012 Refunding Bonds will also create a new restricted sub-fund within the Tidelands Operations Fund titled City Aquarium Account, funded by an encumbrance of a portion of the Tidelands Operations Fund balance, in an amount equivalent to one-year's debt service, or approximately \$8.5 million. This fund balance restriction is a reserve that provides investors additional assurance of the annual debt service payment, and will only be utilized if annual pledged revenues are insufficient.

As with the prior AoP 2001 Refunding Bonds, the AoP 2012 Refunding Bonds will continue to be backed by the Tidelands Operations Fund. To pay annual debt service on the AoP 2012 Refunding Bonds, the new Pledge Agreement will encumber certain amounts to be deposited to the Tidelands

Oil Revenue Fund and Tidelands Operations Fund, as well as amounts on deposit in the City Aquarium Account, and certain amounts on deposit in the Tidelands Operations Fund before operating expenses.

This matter was reviewed by Assistant City Attorney Charles Parkin on January 30, 2012 and Budget Management Officer Victoria Bell on February 3, 2012.

City Council action is requested on February 21, 2012 to take advantage of current market rates to achieve the lowest possible financing cost for the City.

The debt service on the AoP 2001 Refunding Bonds is the responsibility of the City, and is partially backed by the Tidelands Operations Fund. The Tidelands Operations Fund will continue to back the AoP 2012 Refunding Bonds along with pledges of available Tidelands revenues before operating expenses. The annual debt service for the AoP 2001 Refunding Bonds is approximately \$9.3 million. Depending on financial market conditions at sale, the debt refunding is expected to reduce the average annual debt service between \$400,000 and \$800,000, without extending the term of the Bonds. This annual savings will accrue to the Tidelands Operations Fund (TF 401), thus providing budget relief for the remaining life of the bonds. The Tidelands Operations Fund has accumulated deferred infrastructure projects in excess of \$310 million. The annual realized savings will augment funding for maintenance of Tidelands facilities and deferred infrastructure projects. The 2012 AoP Refunding Bonds will not rely upon a pledge of TOT generated in the Tidelands area. The release of that pledge enables the TOT to be restored to the General Fund. There is no local job impact associated with this recommendation.

Approve recommendation.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH APPROVING PROCEEDINGS BY THE LONG BEACH BOND FINANCE AUTHORITY FOR THE ISSUANCE OF REFUNDING REVENUE BONDS RELATION TO THE AQUARIUM OF THE PACIFIC, AND APPROVING RELATED DOCUMENTS AND ACTIONS.

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

APPROVED:

PATRICK H. WEST
CITY MANAGER