



Legislation Text

File #: 14-0242, **Version:** 1

Recommendation to adopt resolution approving the issuance by the Board of Harbor Commissioners, on behalf of the City of Long Beach, of Harbor Revenue Refunding Bonds, in an aggregate principal amount not to exceed \$90,000,000, and Harbor Revenue Short-Term Notes, in an aggregate principal amount not to exceed \$350,000,000, secured by Harbor Department revenues. (District 2)

The Board of Harbor Commissioners (Board), acting on behalf of the City of Long Beach (City), proposed on March 31, 2014, to issue Harbor Revenue Refunding Bonds (2014 Refunding Bonds) in an aggregate principal amount not to exceed \$90,000,000. Proceeds from the 2014 Harbor Refunding Bonds will be used to refund all or a portion of the Harbor Revenue Bonds, Series 2002B, Harbor Revenue Bonds, Series 2004A and B, and to fund the cost of issuing the Series 2014 Refunding Bonds. The 2014 Refunding Bonds will be secured and payable from the revenues of the Harbor Department (Harbor).

The Board, acting on behalf of the City, also proposed on March 31, 2014, to issue Harbor Revenue Short-Term Notes (2014 Short-Term Notes) in an aggregate principal amount not to exceed \$350,000,000. The 2014 Short-Term Notes will be secured and payable from the revenues of the Harbor Department (Harbor). Proceeds from the issuance of the 2014 Short-Term Notes will be used to fund expenditures related to the Gerald Desmond Bridge Replacement Project. The Harbor's loan application is being evaluated by the U.S. Department of Transportation (DOT) under the Transportation Infrastructure Finance and Innovation Act (TIFIA), which will lock in a rate on the loan for a 34-year period at the 30-year U.S. Treasury rate. The Harbor has the option and intends to draw down on the TIFIA loan one year after substantial completion of the new Gerald Desmond Bridge. In order to lower the overall cost of borrowing, the Harbor proposes to issue the 2014 Short-Term Notes for the approximately three and one half year duration between the TIFIA loan closing and the draw-down of funds on the loan. The amount of the lowered cost will depend on the difference between the U.S. Treasury rate at the close of the TIFIA loan and the rate at which the 2014 Short-Term Notes are issued and, therefore, is hard to predict with precision at this time. In today's market, this will lower the cost of funds by approximately \$20 million.

This matter was reviewed by City Attorney Charles Parkin on March 10, 2014 and by Budget Management Officer Victoria Bell on March 13, 2014.

City Council action is requested on April 1, 2014 to facilitate the Harbor Department's capital projects and improvement program and to achieve refinancing savings.

The 2014 Refunding Bonds and the 2014 Short-Term Notes are special, limited obligations of the City. The Board has pledged and assigned all revenues received by the Harbor Department to secure the payment of all principal, premium

and interest on the 2014 Refunding Bonds, 2014 Short-Term Notes and previously issued parity and subordinate debt. The General Fund (GP) is not liable for the payment of the 2014 Refunding Bonds and the 2014 Short-Term Notes or interest thereon, nor is the credit or taxing power of the City pledged. The Harbor Department's capital projects and improvements are expected to create approximately 20,000 jobs in the five-county region over the next three years.

Approve recommendation.

JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT

AL MORO ACTING EXECUTIVE DIRECTOR
PORT OF LONG BEACH

APPROVED:

PATRICK H. WEST
CITY MANAGER

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH APPROVING THE ISSUANCE BY THE BOARD OF HARBOR COMMISSIONERS, ON BEHALF OF THE CITY OF LONG BEACH, OF HARBOR REVENUE REFUNDING BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$90,000,000 AND HARBOR REVENUE SHORT-TERM NOTES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$350,000,000 SECURED BY HARBOR DEPARTMENT REVENUES AND CERTAIN OTHER MATTERS