



## Legislation Text

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**File #:** 08-0492, **Version:** 1

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

Adopt resolution authorizing the expansion of the City's existing commercial paper program to permit the issuance of City Subordinate Airport Revenue Commercial Paper Notes in an amount not to exceed \$30,000,000; approving related documents, authorizing and directing execution thereof and authorizing actions related thereto; and

Increase appropriation in the Airport Enterprise Fund (EF320) in the Public Works Department (PW) by \$15,000,000. (District 5)

In 2004, the City Council approved the Airport Commercial Paper Notes Program of \$15,000,000 for short-term financing of Airport capital projects. A Commercial Paper Notes Program is a short-term financing tool that enables the City to draw down funds as needed for approved capital projects. Low, variable-rate interest is paid on the outstanding notes. The Commercial Paper Notes have various maturities up to a maximum of 270 days. Since Commercial Paper Notes are short-term, they are anticipated to be eventually paid off through a combination of cash and/or possibly long-term bonds. The purpose of the Commercial Paper Program is to provide the City's airport operation with short-term borrowing to cover cash-flow shortages as the airport undertakes approved rehabilitation and maintenance projects. This original \$15,000,000 is committed for airfield pavement projects under contract scheduled for completion in Fiscal Year 2009.

On April 24, 2007, the City Council authorized staff to proceed with the initial design of airport terminal facilities and a new, on-site parking structure. Approximately \$2 million has been spent for design to date. The proposed increase to the Commercial Paper Program from \$15 million to \$30 million will provide short-term funding for the continuation of the design and planning work for the terminal and parking structure prior to the issuance of bonds for the construction costs of these projects. The Airport will utilize both Passenger Facility Charges (PFC) and Airport revenues to fund the principal and interest costs of the Commercial Paper Notes.

The Federal Aviation Administration (FAA) approved the terminal design as an eligible Passenger Facility Charge (PFC) project on April 22, 2008. Of the estimated \$10 million for airport terminal design and permit costs, approximately \$7 million will be paid for with PFC revenue and the remaining portion from airport operating revenue. The Commercial Paper Notes utilized for the estimated \$5 million in parking structure design and permit costs will be paid with parking revenue.

The Internal Revenue Service (IRS) Code requires that the Airport seek approval from the City Council for the notes to be issued. A TEFRA public hearing notification was published in the Press-Telegram on March 21, 2008. The TEFRA hearing was held on April 8, 2008 at 9:00 a.m. The public hearing, required by Federal tax law regulations, was conducted by the City Treasurer in the sixth floor conference room at City Hall. No public comment was presented.

This item was reviewed by Assistant City Attorney Heather A. Mahood on April 15, 2008 and Budget Management Officer Victoria Bell on April 11, 2008.

City Council action on this item is requested on May 20, 2008, to facilitate the forthcoming issuance of Commercial Paper Notes.

The \$15 million increase in the Commercial Paper Note Program will require a \$15 million increase in appropriations in the Airport Enterprise Fund (EF 320) in the Public Works Department (PW). The design and planning work for the terminal and parking structure will be repaid by PFC revenue, parking revenue and Airport operating revenue. The expanded Commercial Paper Program provides for the issuance of up to \$30 million of debt and will provide cash necessary to fund Airport projects included in the Airport Capital Improvement Plan. While the Commercial Paper Program is in place, costs will be incurred to maintain a letter of credit and for interest payments on outstanding Commercial Paper Notes.

Approve recommendation.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH AUTHORIZING THE EXPANSION OF THE CITY'S EXISTING COMMERCIAL PAPER PROGRAM TO PERMIT THE ISSUANCE AND SALE OF THE CITY OF LONG BEACH, CALIFORNIA SUBORDINATE AIRPORT REVENUE COMMERCIAL PAPER NOTES, SERIES A (NON-AMT), SERIES B (AMT) AND SERIES C (TAXABLE) FROM TIME TO TIME IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$30,000,000; TO AUTHORIZE THE EXPENDITURE OF NOTE PROCEEDS ON THE DESIGN OF VARIOUS TERMINAL IMPROVEMENTS AND A MULTILEVEL PUBLIC PARKING STRUCTURE AT THE LONG BEACH AIRPORT; AND APPROVING A SECOND SUPPLEMENTAL SUBORDINATE TRUST INDENTURE, A FIRST AMENDMENT TO ISSUING AND PAYING AGENT AGREEMENT, A SECOND AMENDMENT TO REIMBURSEMENT AGREEMENT, A BANK NOTE, A FIRST AMENDMENT TO COMMERCIAL PAPER DEALER AGREEMENT, AN OFFERING MEMORANDUM AND RELATED DOCUMENTS, AUTHORIZING AND DIRECTING EXECUTION THEREOF AND AUTHORIZING ACTIONS RELATED THERETO

Lori Ann Farrell  
Director of Financial management/CFO

Christine F. Andersen  
Director of Airport

NAME  
TITLE

APPROVED:

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PATRICK H. WEST  
CITY MANAGER