



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

RES-39

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

June 22, 2004

HONORABLE MAYOR AND CITY COUNCIL

City of Long Beach
California

SUBJECT: Resolution Authorizing the Establishment of a Commercial Paper Note Program (District 5)

DISCUSSION

To ensure that the City continues to comply with state and federal mandates regarding airport operation and safety, the Public Works Department has developed a 6-year Capital Improvement Program (CIP) to rehabilitate and replace aging airport infrastructure. Projects in the CIP include Terminal Apron Rehabilitation, Airfield Pavement Rehabilitation, Noise Monitoring System Rehabilitation, Airport Security Access Control, Parking Rehabilitation, and replacement of aging Aircraft Rescue and Fire Fighting vehicles and equipment. The attachment provides a summary project listing. The Airport Enterprise Fund does not currently contain sufficient cash to finance these projects. Short-term financing using an Airport Commercial Paper Program is being proposed that would provide funds necessary to complete critical projects. Failure to complete the runway and taxiway rehabilitations could result in costly unscheduled emergency closures and repairs similar to those experienced with Runway 12-30 in December 2002.

None of the construction projects are part of the Terminal Area Improvements Environmental Impact Report (EIR), nor are they improvements that would increase passenger capacity at the Airport.

The City of Long Beach Public Works Department, Airport Bureau, proposes to issue up to \$15,000,000 of variable-rate, Airport Projects Commercial Paper Notes for short-term financing of qualified Airport capital projects. A Commercial Paper Note Program is an effective short-term financing tool by which the City can draw funds for project cash flow requirements by issuing Commercial Paper Notes to investors on an as-needed basis. Low, variable-rate interest is paid on the outstanding notes. The notes need to be remarketed frequently, based on the particular maturities, which may vary from 1 to 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 City has received approval from the FAA to collect PFCs for specific CIPs through FY 09. It is estimated that \$4.2 million of PFC revenue will be collected annually to pay for those approved projects. However, it is necessary to initiate many of these projects prior to collecting PFC revenue over the next 5 years due to the deteriorated airport infrastructure. In addition, other projects will be paid for using FAA entitlement grant funds. These projects need to be started as soon as possible, but the reimbursement from the entitlement funds will not typically be available until the end of each fiscal year. These are two circumstances that result in the need to borrow on a short-term basis.

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Debt incurred for the FAA entitlement grant funded projects will be repaid annually upon receipt of grant funds; debt incurred for the PFC funded projects will be paid as PFC revenue is realized and fully paid by FY 10, or sooner if possible should long-term financing be secured.

Upon City Council approval of the Airport Commercial Paper Program, the Public Works Department will still be required to obtain City Council approval for the projects through the formal adoption of plans and specifications, and authorizing the award of construction contracts prior to initiating and committing the use of Commercial Paper.

The action requested today will allow staff to proceed with assembling necessary legal and financial documents necessary to create the Commercial Paper Program. The documents will be brought back to the City Council for final approval within 90 days prior to establishing the Program.

This item was reviewed by Assistant City Attorney Heather A. Mahood on June 16, 2004.

TIMING CONSIDERATIONS

City Council action on this item is requested on June 22, 2004 so funding can be in place in the next few months. Initiation of the associated Capital Improvement Projects cannot begin until this financing is in place.

FISCAL IMPACT

There is no impact on the General Fund as this relates to projects within the Airport Enterprise Fund (EF 320) and will be repaid by PFC revenue and FAA entitlement funds.

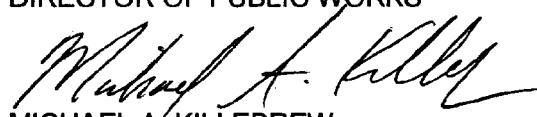
IT IS RECOMMENDED THAT THE CITY COUNCIL:

Adopt the attached Resolution Authorizing the City Manager to proceed with document preparation for the establishment of a Commercial Paper Note Program of up to \$15,000,000 on behalf of the City of Long Beach Department of Public Works.

Respectfully submitted,



CHRISTINE F. ANDERSEN
DIRECTOR OF PUBLIC WORKS



MICHAEL A. KILLEBREW
ACTING DIRECTOR OF FINANCIAL MANAGEMENT

CFA:MAK:CK

Attachment

APPROVED:



GERALD R. MILLER
CITY MANAGER