

# C-16

December 8, 2020

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Authorize the City Manager, or designee, to execute all documents necessary for an interfund loan between the Fleet Services Fund Group and Debt Service Fund Group, for a principal amount not to exceed \$1,600,000;

Increase appropriations in the Debt Service Fund Group in the Citywide Activities Department by \$34,000, to make the annual interest payments to the Fleet Services Fund Group, offset by a transfer from the General Fund Group in the Citywide Activities Department; and,

Increase appropriations in the General Fund Group in the Citywide Activities Department by \$34,000, to transfer to the Debt Service Fund Group, offset by citywide revenues collected in the General Fund Group for this purpose. (Citywide)

## DISCUSSION

On December 11, 2018, the City Council adopted Specifications No. RFP PW18-058 for the design and build of a public safety parking garage (Garage) and expressed intent to issue bonds not to exceed \$13,300,000 in principal amount with debt service payments of approximately \$976,000 annually.

On May 22, 2019, the City of Long Beach (City) issued bonds that provided \$10,200,000 in proceeds for the Garage project to fund the construction contract but not the ancillary construction-related costs of \$1,600,000. Within the next three years, additional funding will be needed for the ancillary construction costs of the Garage before new bonds can be issued. The additional funding, not to exceed \$1,600,000, for the Garage is proposed to come from an interim interfund loan from the Fleet Services Fund Group in the Financial Management Department. This interim loan and the subsequent issuance of new bonds to pay-off the interim loan is financially efficient and will serve to reduce costs lower than had been originally anticipated due to interest savings and will be a financial benefit to the City.

The interfund loan will be issued from the Fleet Services Fund Group to the Debt Service Fund Group with the funds then transferred to the Civic Center Fund Group where the construction costs are incurred. The debt service costs for the interfund loan will be interest only and the principal will be paid by way of a balloon payment from proceeds of the expected future bond issue. The interfund loan incurs no issuance costs. The interest rate on the interfund loan will be equivalent to the annualized interest earnings achieved on the City's investment pool ending on September 30, 2020. It is expected that a bond issue will be needed for some City projects

by the end of 2023, and the \$1,600,000 in additional funding will be added to the sizing of that future bond issue. The only additional project being considered at this time is Fire Station 9. If no further projects are considered, the funding could be done on a stand-alone basis, although that would be a considerably higher issuance cost.

This matter was reviewed by Deputy City Attorney Rich F. Anthony on November 10, 2020 and by Budget Management Officer Rhutu Amin Gharib on November 13, 2020.

TIMING CONSIDERATIONS

City Council approval is requested on December 8, 2020, to allow timely funding for the originally approved costs of the public safety parking garage.

FISCAL IMPACT

The interest only interfund loan (with a balloon principal payment at the end of the term) will be effective as of September 30, 2020, with interest starting on October 1, 2020. The interfund loan will be repaid from the Debt Service Fund Group to the Fleet Services Fund Group. The interest payments will be approximately \$34,000 annually and will result in a total debt service of approximately \$1,701,280 if the loan is outstanding until December 31, 2023 (Attachment A). It is likely that the interfund loan will be paid prior to the loan maturity in three years. The total principal amount, debt service, and interest cost and structure are within the original City Council authorization as approved on December 11, 2018, and this action is expected to lower costs slightly from what had originally been anticipated (due to lower interest costs).

An appropriation increase in the Debt Service Fund Group in the Citywide Activities Department is needed in the amount of \$34,000 to make the annual interest payment to the Fleet Services Fund Group for the loan, offset by a transfer from the General Fund Group in the Citywide Activities Department. Also, an increase in appropriations in the General Fund Group in the Citywide Activities Department by \$34,000 is needed to transfer to the Debt Service Fund Group, offset by citywide revenues collected in the General Fund Group for this purpose. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



THOMAS B. MODICA  
CITY MANAGER

**Interfund Loan Payment Schedule**

<b>Interfund Loan</b>	
Dated:	09/30/20
Principal Amount:	\$1,600,000
Interest Rate:	2.11%
Term (Years):	3
# of Principal Payments:	1
Final Year P&I:	\$1,633,760
Total P&I:	\$1,701,280

<b>Year</b>	<b>Beginning Balance</b>	<b>Principal Due</b>	<b>Interest Due</b>	<b>Total Payment</b>	<b>Ending Balance</b>
1	1,600,000	-	33,760	33,760	1,600,000
2	1,600,000	-	33,760	33,760	1,600,000
3	1,600,000	\$1,600,000	33,760	1,633,760	-
<b>Total:</b>	<b>\$-</b>	<b>\$1,600,000</b>	<b>\$101,280</b>	<b>\$1,701,280</b>	