



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

# R-19

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802 • (562) 570-6845 • Fax (562) 570-5836

August 10, 2010

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Adopt the attached Resolution authorizing the Long Beach Bond Finance Authority to issue 2010 Refunding bonds in an amount not to exceed \$34,000,000 to prepay the 1997 Civic Center Lease thus refunding the outstanding Long Beach Bond Finance Authority Lease Revenue and Refunding Bonds (Civic Center) 1997 Series A, and pay cost of issuance for the Series 2010 bonds. (District 2)

## DISCUSSION

On November 11, 1997, the City Council authorized the refinancing of the Long Beach Civic Center Revenue Bonds issued in 1973. On December 1, 1997 the City of Long Beach and the Long Beach Bond Finance Authority (LBBFA) entered into a Trust Agreement and Facilities Lease, to refinance the 1973 Civic Center lease and to assist in financing of the police headquarters facility, emergency services system center, and other improvements to the Long Beach Civic Center.

Pursuant to the December 1, 1997 Trust Agreement between the City and LBBFA, the City's base rental payment was assigned to a trustee in support of the LBBFA Lease Revenue and Refunding Bonds (Civic Center) 1997 Series A, for the purpose of refunding the 1973 Long Beach Civic Center Revenue Bonds.

The objective of the proposed refunding was to reduce the annual debt service burden of the Civic Center Fund without extending the term of the existing bonds, or back-loading the debt service burden to a future date. The proceeds from the Series 2010A Bonds and the 1997 Debt Service Reserve Fund will be used to refund approximately \$33,400,000 aggregate principal of 1997 Series A Bonds (Civic Center), and pay approximately \$450,000 for the cost of issuing the Series 2010A Bonds.

The recommended bond structure is estimated to reduce the interest rate to 4.55 percent from 5.00 percent, thereby, producing an average annual debt service savings of approximately \$140,000, while also reducing the bond term by one year to 2027 from 2028.

This item was reviewed by Chief Assistant City Attorney Heather A. Mahood on July 21, 2010 and Budget Management Officer Victoria Bell on July 14, 2010.

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TIMING CONSIDERATIONS

City Council action is requested on August 10, 2010 in order to facilitate processing of required documents and benefit from currently advantageous interest rates.

FISCAL IMPACT

The FY 11 annual debt cost of this obligation is estimated to decrease from approximately \$2,826,750 to approximately \$2,650,000 in the current market environment. The proposed refunding will assist in reducing costs in the Civic Center Fund without extending the term of the bonds. There is no job impact associated with this request.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



LORI ANN FARRELL  
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

LAF:DN:EF  
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ATTACHMENT: RESOLUTION

APPROVED:



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PATRICK H. WEST  
CITY MANAGER

OFFICE OF THE CITY ATTORNEY  
ROBERT E. SHANNON, City Attorney  
333 West Ocean Boulevard, 11th Floor  
Long Beach, CA 90802-4664

1 RESOLUTION NO.

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3 A RESOLUTION OF THE CITY COUNCIL OF THE  
4 CITY OF LONG BEACH A RESOLUTION OF THE CITY  
5 COUNCIL OF THE CITY OF LONG BEACH AUTHORIZING  
6 PROCEEDINGS TO PREPAY BASE RENTAL PAYMENTS  
7 AND THEREBY REFUND OUTSTANDING LONG BEACH  
8 BOND FINANCE AUTHORITY LEASE REVENUE AND  
9 REFUNDING BONDS (CIVIC CENTER PROJECT) 1997  
10 SERIES A, AND APPROVING RELATED DOCUMENTS AND  
11 ACTIONS

12  
13 WHEREAS, the City of Long Beach (the "City") and the Long Beach Bond  
14 Finance Authority (the "Authority") previously entered into a Facilities Lease, dated as of  
15 December 1, 1997 (the "1997 Lease") in order to refinance certain lease obligations of  
16 the City related to the City of Long Beach – Los Angeles County Civic Center Authority,  
17 Long Beach Civic Center Revenue Bonds issued in 1973, and to provide funds to assist  
18 in the financing of a police headquarters facility, an emergency services system center  
19 and improvements to the Long Beach Civic Center;

20 WHEREAS, the City's base rental payments under the 1997 Lease (the  
21 "1997 Lease Payments") were assigned to The Bank of New York Mellon Trust  
22 Company, N.A. (successor to U.S. Trust Company of California, N.A.) as trustee (the  
23 "1997 Trustee") under a Trust Agreement, dated as of December 1, 1997, between the  
24 Authority and the 1997 Trustee, pursuant to which the Authority issued its Long Beach  
25 Bond Finance Authority Lease Revenue and Refunding Bonds (Civic Center Project)  
26 1997 Series A (the "1997 Bonds"); and

27 WHEREAS, the City Council wishes at this time to approve proceedings to  
28 refinance the City's obligations under the 1997 Lease and thereby refund the 1997 Bonds

1 in order to realize interest rate savings, including the approval of the 2010 Lease  
2 Agreement described below and related documents and actions.

3 NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED  
4 by the City Council of the City of Long Beach, as follows:

5 Section 1. Approval of Refinancing Proceedings. The City Council hereby  
6 approves the prepayment of the 1997 Lease Payments and the refunding of the 1997  
7 Bonds. To that end, the City Council hereby approves each of the following agreements  
8 (collectively, the "2010 Lease Documents") in the respective forms on file with the City  
9 Attorney:

10 (a) a termination agreement by and between the City and the 1997  
11 Trustee, as assignee of the Authority, whereby the City and the 1997 Trustee agree to  
12 terminate the documents relating to the 1997 Lease;

13 (b) a site and facility lease by and between the City and the  
14 Authority (the "2010 Site Lease"), whereby the City leases the Long Beach Civic Center  
15 (the "Property") to the Authority in consideration of the agreement by the Authority to  
16 provide sufficient funds to prepay the 1997 Lease Payments and refund and defease the  
17 1997 Bonds;

18 (c) a lease agreement by and between the Authority and the City  
19 (the "2010 Lease Agreement"), whereby the Authority leases the Property back to the  
20 City in consideration of the payment of semi-annual lease payments by the City as rental  
21 for the Property;

22 (d) a letter agreement for purchase between Banc of America Public  
23 Capital Corp and the City, whereby Banc of America Public Capital Corp agrees to  
24 acquire the rights of the Authority to the lease payments to be made by the City under the  
25 2010 Lease Agreement and the rights of the Authority under the 2010 Site Lease; and

26 (e) irrevocable refunding instructions given by the City to the 1997  
27 Trustee, whereby the 1997 Trustee agrees to establish an irrevocable escrow fund to be  
28 held for the purpose of paying the redemption price of the 1997 Bonds, and to redeem

1 the 1997 Bonds in full on the first available redemption date.

2                   The City Manager, the Director of Financial Management and the  
3 City Treasurer (each being a "Designated Officer" and, collectively, the "Designated  
4 Officers"), each acting alone, are hereby authorized for and on behalf of the City to  
5 execute and deliver the 2010 Lease Documents in said forms, together with such  
6 additions thereto or changes therein as are approved by the Designated Officer executing  
7 such document upon consultation with the City Attorney and Bond Counsel, including  
8 such additions or changes as are necessary or advisable in accordance with Section 5  
9 hereof, the approval of such additions or changes to be conclusively evidenced by the  
10 execution and delivery of the 2010 Lease Documents by a Designated Officer.

11                   Section 2. Material Terms of 2010 Lease Agreement. Notwithstanding the  
12 foregoing, in any event, the 2010 Lease Agreement shall be for a stated term not in  
13 excess of the original term of the 1997 Lease, the aggregate principal component of the  
14 lease payments to be paid under the 2010 Lease Agreement shall not exceed  
15 \$34,000,000 and the interest component of the lease payments under the 2010 Lease  
16 Agreement shall be computed at an interest rate which provides a present value savings  
17 to the City as compared to the interest component of the remaining 1997 Loan Payments  
18 payable under the 1997 Lease.

19                   Section 3. Financial Advisor. The firm of Public Financial Management is  
20 hereby designated as financial advisor to the City with respect to the financing. The  
21 Treasurer of the City is hereby authorized and directed to execute an agreement with  
22 said firm for its services in connection with the financing, in a form acceptable to the  
23 Treasurer, provided that payment of the fees and expenses of such firm shall be  
24 contingent upon the execution and delivery of the 2010 Lease Agreement by the City.

25                   Section 4. Bond Counsel. The law firm of Quint & Thimmig LLP is hereby  
26 designated as Bond Counsel ("Bond Counsel") to the City for the financing. The City  
27 Attorney is hereby authorized to execute an agreement with said firm for its services  
28 related to the financing, in a form acceptable to the City Attorney. The payment by the

1 City of any and all compensation to such firm under said agreement shall be contingent  
2 upon the execution and delivery of the 2010 Lease Agreement by the City.

3 Section 5. Official Actions. The Mayor, the City Manager, the Director of  
4 Financial Management of the City, the City Treasurer, the City Clerk and all other officers  
5 of the City are each authorized and directed in the name and on behalf of the City to  
6 make any and all assignments, certificates, requisitions, agreements, notices, consents,  
7 instruments of conveyance, warrants and other documents, which they or any of them  
8 might deem necessary or appropriate in order to consummate any of the transactions  
9 contemplated by the agreements and documents approved by this Resolution. Whenever  
10 in this Resolution any officer of the City is authorized to execute or countersign any  
11 document or take any action, such execution, countersigning or action may be taken on  
12 behalf of such officer by any person designated by such officer to act on his or her behalf  
13 in the case such officer is absent or unavailable.

14 Section 6. This resolution shall take effect immediately upon its adoption by  
15 the City Council, and the City Clerk shall certify the vote adopting this resolution.

16 I hereby certify that the foregoing resolution was adopted by the City Council of the  
17 City of Long Beach at its meeting of \_\_\_\_\_, 20\_\_ by the following vote:

18 Ayes: Councilmembers: \_\_\_\_\_

19 \_\_\_\_\_

20 \_\_\_\_\_

21 \_\_\_\_\_

22 Noes: Councilmembers: \_\_\_\_\_

23 \_\_\_\_\_

24 Absent: Councilmembers: \_\_\_\_\_

25 \_\_\_\_\_

26 \_\_\_\_\_

27 \_\_\_\_\_

28 \_\_\_\_\_  
City Clerk