



# CITY OF LONG BEACH

# R-10

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802 • (562) 570-6465 • Fax (562) 570-5836

October 13, 2015

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Adopt a Resolution authorizing the establishment of a method for the City to declare the intent to receive reimbursement from proposed future bond proceeds. (Citywide)

## DISCUSSION

The attached Resolution updates the City's existing practice with respect to the use of proceeds of debt obligations for the purposes of reimbursing capital projects. The City frequently explores various financing alternatives for capital projects. Although many of these projects have been listed in the City's Capital Improvement Program, some of them cannot be fully cash-financed, with the most likely alternative involving the proposed issuance of tax-exempt bonds. Under certain conditions, U.S. Treasury Regulation, Section 1.150-2, permits debt issuers (Issuers) to use bond proceeds to reimburse Issuers for project-related expenditures paid prior to the issuance of project bonds.

In order to maximize and expedite the City's ability to reimburse itself for pre-financing costs, the City Council is requested to designate the City Manager to act on its behalf in declaring the City Council's official intent, from time-to-time, to reimburse capital expenditures from proposed future bond financings. This designation is for administrative expediency only and does not authorize the City Manager to issue bonds, but simply allows for the City Manager to ensure that, once a financing is approved by the City Council, City costs can be properly reimbursed from the proceeds of the financing. If a bond financing is proposed, the City Council will be presented with a staff report detailing the specific project and the financing proposal, and will be requested to take action on the proposal.

No aspect of the attached Resolution, or associated designation of the City Manager, commits the City to issuing any type of bond financing.

This matter was reviewed by Deputy City Attorney Amy R. Webber and by Budget Manager Victoria Bell September 16, 2015.

TIMING CONSIDERATIONS

City Council action is requested on October 13, 2015, to allow the City's pre-financing costs related to the Pacific Avenue Storm Drain Relocation project, Courthouse demolition, and other projects to be reimbursed from future bond issues. Without the Resolution, federal law will not permit the City to reimburse itself for costs incurred prior to the issuance of the bonds.

FISCAL IMPACT

This item does not authorize the issuance of any financing. The proposed financing for each future capital project will be presented to the City Council for review and approval when the financing plans have been finalized. There is no direct fiscal or local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT

JG:DN:MM  
T:\COUNCIL ACTIVITY\COUNCIL LETTERS\2015\10-13-15 ccl - RESO - MASTER REIMBURSEMENT V2.DOCX

ATTACHMENT

APPROVED:



PATRICK H. WEST  
CITY MANAGER

OFFICE OF THE CITY ATTORNEY  
CHARLES PARKIN, City Attorney  
333 West Ocean Boulevard, 11th Floor  
Long Beach, CA 90802-4664

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH AUTHORIZING A METHOD FOR DECLARATIONS OF OFFICIAL INTENT IN ORDER TO PERMIT THE REIMBURSEMENT OF CAPITAL EXPENDITURES WITH PROCEEDS OF FUTURE DEBT OBLIGATIONS

WHEREAS, the City of Long Beach, California (the "City") is authorized under its Charter and the laws of the State of California to issue or incur debt obligations to finance certain capital improvements; and

WHEREAS, the Internal Revenue Service has issued Treasury Regulation Section 1.150-2, with respect to the use of proceeds of debt obligations for purposes of reimbursing capital expenditures (the "Reimbursement Regulations"); and

WHEREAS, in order to efficiently comply with the Reimbursement Regulations, the City finds it to be advantageous to establish a method whereby the City can expeditiously document the intent to reimburse capital expenditures with proceeds of future debt obligations;

NOW, THEREFORE, the City Council of the City of Long Beach resolves as follows:

Section 1. Declaration of Official Intent. The City Council hereby designates the City Manager of the City of Long Beach, California (the "City Manager") to act on behalf of the City Council in declaring the City Council's official intent from time to time to reimburse capital expenditures of the City with proceeds of future debt obligations. The declaration of official intent shall (a) state that the City Council reasonably expects to reimburse the specified capital expenditures from proceeds of future debt obligations within eighteen (18) months of the date of the expenditures or on

1 the date upon which the related project, if any, is placed in service or abandoned,  
2 whichever is later (but in no event more than three (3) years after the expenditure is  
3 paid); (b) not be made later than sixty (60) days after payment of the capital  
4 expenditures; (c) contain a general description of the project to which the expenditure  
5 relates; and (d) indicate the maximum principal amount of debt expected to be issued or  
6 incurred for the project. Each such declaration of official intent shall be noted in writing  
7 by the City Manager, who is hereby authorized and directed to maintain a record of all  
8 declarations of official intent, including the capital expenditures to be reimbursed under  
9 such declaration and the allocations of borrowing proceeds to reimbursement of such  
10 capital expenditures. The City Manager, in consultation with the City Attorney and the  
11 City's outside bond counsel, is further authorized and directed to take all other actions the  
12 City Manager deems necessary or desirable to implement this procedure, consistent with  
13 the requirements of the Reimbursement Regulations.

14 Section 2. Confirmation of Prior Acts. All prior acts of the officials and  
15 employees of the City which are in conformity with the purpose and intent of this  
16 Resolution, and in furtherance of such purpose and intent, shall be and the same hereby  
17 are in all respects ratified, approved and confirmed.

18 Section 3. Repeal of Inconsistent Resolutions. All other resolutions of  
19 the City Council, or parts of all other resolutions, inconsistent with this Resolution are  
20 hereby repealed to the extent of such inconsistency.

21 Section 4. This resolution shall take effect immediately upon its adoption  
22 by the City Council, and the City Clerk shall certify the vote adopting this resolution.

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OFFICE OF THE CITY ATTORNEY  
CHARLES PARKIN, City Attorney  
333 West Ocean Boulevard, 11th Floor  
Long Beach, CA 90802-4664

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I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of \_\_\_\_\_, 2015, by the following vote:

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

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

\_\_\_\_\_

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

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\_\_\_\_\_

City Clerk