

# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

# R-26

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July 24, 2012

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Adopt the attached Resolution to issue Second Lien Water Revenue Bonds Series 2012A, in an amount not to exceed \$15,000,000, acting through its Board of Water Commissioners (the Board) to refund the City of Long Beach Subordinate Water Revenue Commercial Paper Notes, Series A. (Citywide)

## DISCUSSION

The City of Long Beach Water Department proposes to issue Second Lien Water Revenue Bonds Series 2012A (Series 2012A Bonds) in an aggregate principal amount not to exceed \$15,000,000, for the purpose of refunding the \$11,000,000 of Water Revenue Commercial Paper Notes, Series A (Commercial Paper Notes), and to pay for the cost of issuing the Series 2012A Bonds. As with the Commercial Paper Notes, the Series 2012A Bonds will be secured by, and payable from the revenues of the Water Enterprise Fund. The Series 2012A Bonds shall not be a debt of the City, nor shall the credit or taxing power of the City be pledged in support of the Series 2012A Bonds. The objective of this debt restructuring is to take advantage of the current historically low fixed bond rates, and provide the Water Department certainty in its future debt service payment requirements.

There is \$11,000,000 of Commercial Paper Notes currently outstanding. The Commercial Paper Notes were authorized in an aggregate amount not to exceed \$15,000,000 to finance the design, construction and acquisition of improvements to the Water Department. Short-term commercial paper notes, regularly mature and then are resold, exposing the issuer to interest rate uncertainty. The Series 2012A Bonds are targeting a fixed yield of approximately 2.5 to 3.0 percent for a 15-year term and no credit facility fee, versus the current variable yield of 0.19 percent and a credit facility fee of 0.23 percent per annum on a \$15,000,000 on the expiring Line of Credit.

The Board of Water Commissioners approved Resolution WD-1300 on July 12, 2012, authorizing the issuance of Second Lien Water Revenue Bonds, Series 2012A (Attachment A).

HONORABLE MAYOR AND CITY COUNCIL

July 24, 2012

Page 2

This matter was reviewed by Assistant City Attorney Charles Parkin on July 9, 2012, and Budget Management Officer Victoria Bell on July 3, 2012.

TIMING CONSIDERATIONS

City Council action is requested on July 24, 2012 in order to facilitate processing of required documents and benefit from the currently advantageous interest rates.

FISCAL IMPACT

There is no impact on the General Fund, as this is an obligation of the Water Enterprise Fund (EF 310) in the Water Department (WA). The average annual debt service payment is estimated to be approximately \$915,000 to \$950,000 over the next 15 years. There are no local jobs impacted by this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT



KEVIN L. WATTIER  
GENERAL MANAGER  
WATER DEPARTMENT

JG:KLW:PF:DN  
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ATTACHMENTS: -RESOLUTION - WATER REVENUE REFUNDING BONDS  
-A - WATER DEPARTMENT RESOLUTION NO. WD-1272

APPROVED:



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PATRICK H. WEST  
CITY MANAGER

RESOLUTION NO. WD-1300

1  
2  
3 A RESOLUTION OF THE BOARD OF WATER  
4 COMMISSIONERS OF THE CITY OF LONG BEACH  
5 AUTHORIZING THE ISSUANCE AND SALE OF THE CITY  
6 OF LONG BEACH, CALIFORNIA SECOND LIEN WATER  
7 REVENUE BONDS, SERIES 2012A; APPROVING A  
8 SECOND SUPPLEMENTAL SUBORDINATE INDENTURE, A  
9 THIRD SUPPLEMENTAL SUBORDINATE INDENTURE, A  
10 BOND PURCHASE AGREEMENT, A CONTINUING  
11 DISCLOSURE CERTIFICATE, PRELIMINARY AND FINAL  
12 OFFICIAL STATEMENTS AND RELATED DOCUMENTS;  
13 AUTHORIZING THE CLOSURE OF THE SENIOR LIEN  
14 UNDER THE SENIOR LIEN INDENTURE; AND  
15 AUTHORIZING ACTIONS RELATED THERETO  
16

17 WHEREAS, the City of Long Beach (the "City") is a city organized and  
18 existing under a charter duly and regularly adopted pursuant to the provisions of the  
19 Constitution of the State of California; and

20 WHEREAS, the Board of Water Commissioners of the City (the "Board"),  
21 acting on its own behalf and on behalf of the City, under the City Charter (the "Charter")  
22 and Section 3.52.110 et seq. of the Long Beach Municipal Code (the "Bond Law"), may  
23 issue revenue bonds for the purposes of the Long Beach Water Department (the "Water  
24 Department"), with the approval of the City Council of the City (the "City Council")  
25 expressed by Resolution; and

26 WHEREAS, the Board previously issued, on behalf of the City, the City of  
27 Long Beach Water Revenue Refunding Bonds, 1997 Series A (the "Senior Series 1997A  
28 Bonds") pursuant to the Indenture of Trust, dated as of August 1, 1997 (the "Senior

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

1 Series 1997A Indenture”), by and between the Board, acting on its own behalf and on  
2 behalf of the City, and The Bank of New York Mellon Trust Company, N.A., as successor  
3 trustee (the “Senior Trustee”), which are payable from and secured by Net Revenues (as  
4 defined in the hereinafter defined Senior Lien Trust Indenture) and such other security as  
5 provided for in the Senior Lien Trust Indenture, and which are currently outstanding in the  
6 aggregate principal amount of \$5,175,000; and

7 WHEREAS, the Board previously issued, on behalf of the City, the City of  
8 Long Beach, California Water Revenue Refunding Bonds, Series 2010A (the “Senior  
9 Series 2010A Bonds,” and together with the Senior Series 1997A Bonds, the “Senior Lien  
10 Bonds”) pursuant to the Indenture of Trust, dated as of September 1, 2010 (the “Senior  
11 Series 2010A Indenture,” and together with the Senior Series 1997A Indenture, the  
12 “Senior Lien Trust Indenture”) by and between the Board, acting on its own behalf and on  
13 behalf of the City, and the Senior Trustee, which are payable from and secured by Net  
14 Revenues (on parity with the Senior Series 1997A Bonds) and such other security as  
15 provided for in the Senior Lien Trust Indenture, and which are currently outstanding in the  
16 aggregate principal amount of \$22,250,000; and

17 WHEREAS, the Board has previously determined that it is in its best  
18 interests to issue, on behalf of the City, from time to time, Subordinate Obligations (as  
19 defined in the hereinafter defined Master Subordinate Indenture) for the purposes set  
20 forth in the Charter, the Bond Law, the Master Subordinate Indenture and any  
21 Supplemental Subordinate Indentures (as defined in the Master Subordinate Indenture),  
22 and that such Subordinate Obligations be payable from and secured by Subordinate Net  
23 Revenues (as defined in the Master Subordinate Indenture) and such other security  
24 provided for in the Master Subordinate Indenture and any Supplemental Subordinate  
25 Indentures; and

26 WHEREAS, the Board has previously determined that it is in its best  
27 interests to issue, on behalf of the City, from time to time, Subordinate Obligations in the  
28 form of commercial paper notes designated as City of Long Beach, California

1 Subordinate Water Revenue Commercial Paper Notes, Series A and/or Series B  
2 (Taxable) (the "Subordinate Commercial Paper Notes"), in an aggregate principal amount  
3 not to exceed \$15,000,000 outstanding at any one time to finance and refinance the  
4 design, construction and acquisition of certain improvements to the Enterprise (as  
5 defined in the Master Subordinate Indenture); and

6 WHEREAS, the Subordinate Commercial Paper Notes are issued, from  
7 time to time, pursuant to the provisions of the Master Subordinate Trust Indenture, dated  
8 as of October 1, 2002 (the "Master Subordinate Indenture"), by and between the Board,  
9 acting on its own behalf and on behalf of the City, and U.S. Bank National Association, as  
10 trustee (the "Subordinate Trustee"), and the First Supplemental Subordinate Trust  
11 Indenture, dated as of October 1, 2002 (the "First Supplemental Subordinate Indenture"),  
12 by and between the Board, acting on its own behalf and on behalf of the City, and the  
13 Subordinate Trustee; and

14 WHEREAS, the Subordinate Commercial Paper Notes are currently  
15 outstanding in the aggregate principal amount of \$11,000,000 in the form of City of Long  
16 Beach, California Subordinate Water Revenue Commercial Paper Notes, Series A (the  
17 "Subordinate Series A Commercial Paper Notes"); and

18 WHEREAS, the Board has determined that it is in its best interest, to issue,  
19 on behalf of the City, Subordinate Obligations in an aggregate principal amount not to  
20 exceed \$15,000,000 in order to provide funds for the refunding, on a current basis, and  
21 defeasance, of all of the outstanding Subordinate Series A Commercial Paper Notes (the  
22 "Refunded Notes"); and

23 WHEREAS, such Subordinate Obligations shall be issued in accordance  
24 with the Master Subordinate Indenture and the hereinafter defined Third Supplemental  
25 Subordinate Indenture, and shall be designated as the "City of Long Beach, California  
26 Second Lien Water Revenue Bonds, Series 2012A" (the "Subordinate Series 2012A  
27 Bonds"); and

28 WHEREAS, in connection with the refunding and payment of the Refunded

1 Notes, the Board has determined that it is in its best interests to terminate the  
2 Commercial Paper Program (as defined in the First Supplemental Subordinate Indenture)  
3 implemented pursuant to the Master Subordinate Indenture and the First Supplemental  
4 Subordinate Indenture; and

5 WHEREAS, the Board has determined that it is in its best interests to  
6 irrevocably covenant that the Board, on behalf of the City, will not issue any additional  
7 Parity Obligations (as defined in the Senior Lien Trust Indenture) in the future and that  
8 the Board will not issue and/or incur any other obligations in the future that would have a  
9 lien on Net Revenues senior to the Subordinate Obligations (including the Subordinate  
10 Series 2012A Bonds); and

11 WHEREAS, in connection with the issuance of the Subordinate Series  
12 2012A Bonds, the termination of the Commercial Paper Program and the prohibition on  
13 the future issuance and/or incurrence of Parity Obligations and any other obligations  
14 having a lien on Net Revenues senior to the Subordinate Obligations, it is necessary to  
15 make certain amendments to the Master Subordinate Indenture and the First  
16 Supplemental Subordinate Indenture and such amendments will be set forth in the  
17 hereinafter defined Second Supplemental Subordinate Indenture; and

18 WHEREAS, there have been presented to the Board the following  
19 documents:

20 (a) a form of the Second Supplemental Subordinate Indenture (the  
21 "Second Supplemental Subordinate Indenture") by and between the Board, acting  
22 on its own behalf and on behalf of the City, and the Subordinate Trustee;

23 (b) a form of the Third Supplemental Subordinate Indenture (the "Third  
24 Supplemental Subordinate Indenture") by and between the Board, acting on its  
25 own behalf and on behalf of the City, and the Subordinate Trustee;

26 (c) a form of the Bond Purchase Agreement (the "Bond Purchase  
27 Agreement") by and between the Board, acting on its own behalf and on behalf of  
28 the City, and E. J. De La Rosa & Co., Inc., as underwriter (the "Underwriter");

1 (d) a form of the Continuing Disclosure Certificate (the "Continuing  
2 Disclosure Certificate") to be executed by the Board, acting on its own behalf and  
3 on behalf of the City; and

4 (e) a form of the Preliminary Official Statement (the "Preliminary Official  
5 Statement") relating to the offering and sale of the Subordinate Series 2012A  
6 Bonds; and

7 WHEREAS, said documents will be modified and amended to reflect the  
8 various details applicable to the Subordinate Series 2012A Bonds and said documents  
9 are subject to completion to reflect the results of the sale of the Subordinate Series  
10 2012A Bonds; and

11 WHEREAS, the Board wishes at this time to authorize all proceedings  
12 relating to the issuance and sale of the Subordinate Series 2012A Bonds and the  
13 execution and delivery of all agreements and documents relating thereto; and

14 NOW, THEREFORE, the Board of Water Commissioners of the City of  
15 Long Beach, California resolves as follows:

16 Section 1. Recitals. That the above recitals are true and correct and are  
17 incorporated herein by reference.

18 Section 2. Issuance of the Subordinate Series 2012A Bonds. For the  
19 purposes set forth in the foregoing recitals, the Board, on behalf of the City, hereby  
20 authorizes and approves the issuance of the Subordinate Series 2012A Bonds in the  
21 aggregate principal amount of not to exceed \$15,000,000 under and pursuant to the  
22 Charter, the Bond Law, the Master Subordinate Indenture and the Third Supplemental  
23 Subordinate Indenture, subject to the approval of the City Council of such issuance  
24 expressed by Resolution of the City Council. The Subordinate Series 2012A Bond  
25 proceeds, and any other moneys made available in connection with the refunding of the  
26 Refunded Notes, may be used to pay the costs of issuance for the Subordinate Series  
27 2012A Bonds and to pay the principal of and interest on the Refunded Notes on the  
28 applicable maturity date.

1           The Subordinate Series 2012A Bonds shall be dated, shall bear interest at  
2 the rates (subject to the limitations provided herein), shall mature on the dates, shall be  
3 issued in the form, shall be subject to redemption, and shall otherwise be issued on the  
4 terms and conditions all as set forth in the Master Subordinate Indenture and the Third  
5 Supplemental Subordinate Indenture and in accordance with this Resolution. The  
6 Subordinate Series 2012A Bonds shall bear interest at such rates with respect to the  
7 various maturities such that the All-in True Interest Cost (as hereinafter defined) for the  
8 Subordinate Series 2012A Bonds does not exceed 5.00% per annum. The "All-in True  
9 Interest Cost" shall be that rate which, when used in computing the present worth of all  
10 payments of principal and interest to be paid on the Subordinate Series 2012A Bonds  
11 (compounded on the first interest payment date, and semiannually thereafter), produces  
12 an amount equal to the purchase price of the Subordinate Series 2012A Bonds taking  
13 into account any original issue premium/discount, accrued interest, underwriter's fees  
14 and any and all costs of issuance of the Subordinate Series 2012A Bonds.

15           Section 3. Pledge to Secure the Subordinate Series 2012A Bonds.  
16 Subordinate Net Revenues and any other security set forth in the Master Subordinate  
17 Indenture and the Third Supplemental Subordinate Indenture are hereby irrevocably  
18 pledged in accordance with the terms of the Master Subordinate Indenture and the Third  
19 Supplemental Subordinate Indenture to secure the Subordinate Series 2012A Bonds and  
20 any additional Subordinate Obligations which may be subsequently issued under and  
21 secured by the terms of the Master Subordinate Indenture. Except for the Refunded  
22 Notes and the payment obligations of the Board set forth in the Line of Credit Agreement,  
23 dated as of October 1, 2002, as amended, by and between the Board, acting on its own  
24 behalf and on behalf of the City, and State Street Bank and Trust Company, and the  
25 revolving loan note and the term loan note executed and delivered in connection thereto,  
26 the Board hereby confirms that it has not previously granted any prior or parity interest in  
27 the Subordinate Net Revenues. The Board hereby agrees that it will not, so long as the  
28 Subordinate Series 2012A Bonds remain outstanding, grant or attempt to grant any parity



1 pledge, lien or other interest in the Subordinate Net Revenues to secure any other  
2 obligations of the City except as permitted in the Master Subordinate Indenture. The  
3 Board hereby approves the pledge to secure the Subordinate Series 2012A Bonds as set  
4 forth in the Master Subordinate Indenture and the Third Supplemental Subordinate  
5 Indenture. The General Manager of the Water Department (the "General Manager"), the  
6 Deputy General Manager of Business of the Water Department (the "Deputy General  
7 Manager-Business"), the Deputy General Manager of Operations of the Water  
8 Department (the "Deputy General Manager-Operations"), or the Director of Finance of the  
9 Water Department (the "Director of Finance") are hereby authorized and directed to  
10 institute such accounting policies and modifications as the General Manager, the Deputy  
11 General Manager-Business, the Deputy General Manager-Operations or the Director of  
12 Finance deems necessary to provide for the accounting of revenues and expenses  
13 contemplated by the Master Subordinate Indenture and the Third Supplemental  
14 Subordinate Indenture.

15           Section 4. Special Obligations. The Subordinate Series 2012A Bonds  
16 shall be special obligations of the City, secured by, and payable from, Subordinate Net  
17 Revenues and from the funds and accounts held by the Subordinate Trustee under the  
18 Master Subordinate Indenture and the Third Supplemental Subordinate Indenture. The  
19 Subordinate Series 2012A Bonds are not to be and shall not be secured by the taxing  
20 power of the City.

21           Section 5. Form of Subordinate Series 2012A Bonds. The Subordinate  
22 Series 2012A Bonds and the Subordinate Trustee's Certificate of Authentication to  
23 appear thereon shall be in substantially the form set forth in an exhibit to the Third  
24 Supplemental Subordinate Indenture with necessary or appropriate variations, omissions  
25 and insertions as permitted or required by the Master Subordinate Indenture or the Third  
26 Supplemental Subordinate Indenture or as appropriate to adequately reflect the terms of  
27 the Subordinate Series 2012A Bonds and the obligation represented thereby.

28           Section 6. Execution of the Subordinate Series 2012A Bonds. Each of

1 the Subordinate Series 2012A Bonds shall be executed on behalf of the City by the  
2 President of the Board (the "President"), the General Manager, the Deputy General  
3 Manager-Business or the Deputy General Manager-Operations and attested by the  
4 Secretary of the Board (the "Secretary"). Any such signatures may be by manual of  
5 facsimile signature and the seal may be impressed or printed on the Subordinate Series  
6 2012A Bonds. Additionally, each of the Subordinate Series 2012A Bonds shall be  
7 authenticated by the signature of the Subordinate Trustee. Any facsimile signature of the  
8 President, the General Manager, the Deputy General Manager-Business, the Deputy  
9 General Manager-Operations and the Secretary shall be of the same force and affect as  
10 if such signature were manually placed on such Subordinate Series 2012A Bonds.

11 Section 7. Approval of Second Supplemental Subordinate Indenture.  
12 The Second Supplemental Subordinate Indenture, in the form on file with the Secretary,  
13 is hereby approved. The General Manager, the Deputy General Manager-Business, the  
14 Deputy General Manager-Operations, the Director of Finance or any other Authorized  
15 Board Representative (as defined in the Master Subordinate Indenture) designated by  
16 the General Manager (each a "Designated Officer"), each acting alone, are hereby  
17 authorized and directed to execute and deliver the Second Supplemental Subordinate  
18 Indenture in such form together with such changes, insertions and omissions as may be  
19 approved by the officer executing such Second Supplemental Subordinate Indenture  
20 upon consultation with Bond Counsel (as defined in the Master Subordinate Indenture),  
21 such execution to be conclusive evidence of such approval. The Board hereby  
22 authorizes the delivery and performance of the Second Supplemental Subordinate  
23 Indenture.

24 Section 8. Approval of Third Supplemental Subordinate Indenture. The  
25 Third Supplemental Subordinate Indenture, in the form on file with the Secretary, is  
26 hereby approved. The Designated Officers, each acting alone, are hereby authorized  
27 and directed to execute and deliver the Third Supplemental Subordinate Indenture in  
28 such form together with such changes, insertions and omissions as may be approved by

1 the officer executing such Third Supplemental Subordinate Indenture upon consultation  
2 with Bond Counsel, such execution to be conclusive evidence of such approval. The  
3 Board hereby authorizes the delivery and performance of the Third Supplemental  
4 Subordinate Indenture.

5           Section 9. Approval of the Bond Purchase Agreement. The Designated  
6 Officers, each acting alone, are hereby authorized and directed to negotiate the Bond  
7 Purchase Agreement for the Subordinate Series 2012A Bonds with the Underwriter and  
8 to determine the following matters with respect to the Subordinate Series 2012A Bonds:  
9 (a) the aggregate principal amount of the Subordinate Series 2012A Bonds to be issued  
10 and sold under the Third Supplemental Subordinate Indenture and pursuant thereto, but  
11 not to exceed \$15,000,000; (b) the respective maturity dates and principal amounts of the  
12 Subordinate Series 2012A Bonds of each maturity; (c) the sinking fund installments, if  
13 any, with respect to any term Subordinate Series 2012A Bonds; (d) the Underwriter's  
14 discount at which the Subordinate Series 2012A Bonds are to be sold to the Underwriter,  
15 but not to exceed 1.00% of the par amount thereof (exclusive of any original issue  
16 discount); and (e) the respective rates of interest to be borne by the Subordinate Series  
17 2012A Bonds of each maturity; provided that the All-in True Interest Cost of the  
18 Subordinate Series 2012A Bonds shall not exceed 5.00% per annum.

19           The Bond Purchase Agreement, in the form on file with the Secretary, is  
20 hereby approved. The Designated Officers, each acting alone, are hereby authorized  
21 and directed to execute and deliver the Bond Purchase Agreement in such form together  
22 with such changes, insertions and omissions as may be approved by the officer  
23 executing such Bond Purchase Agreement upon consultation with Bond Counsel, such  
24 execution to be conclusive evidence of such approval. The Board hereby approves the  
25 negotiated sale of the Subordinate Series 2012A Bonds to the Underwriter pursuant to  
26 the Bond Purchase Agreement.

27           Section 10. Approval of the Continuing Disclosure Certificate. The  
28 Continuing Disclosure Certificate, in the form on file with the Secretary, is hereby

1 approved. The Designated Officers, each acting alone, are hereby authorized and  
2 directed to execute and deliver the Continuing Disclosure Certificate in such form,  
3 together with such changes, insertions and omissions which are approved by the officer  
4 executing such Continuing Disclosure Certificate upon consultation with Bond Counsel,  
5 such execution to be conclusive evidence of such approval. The Board hereby  
6 authorizes the delivery and performance of the Continuing Disclosure Certificate.

7 Section 11. Approval of the Preliminary Official Statement. The Board  
8 hereby approves the Preliminary Official Statement in the form on file with the Secretary,  
9 together with any changes therein or additions thereto which are approved by the  
10 General Manager, the Deputy General Manager-Business and/or the Deputy General  
11 Manager-Operations upon consultation with Bond Counsel and Disclosure Counsel. The  
12 Board approves, authorizes and ratifies the distribution (via printed format and/or  
13 electronic means) by the Underwriter of said Preliminary Official Statement to prospective  
14 purchasers of the Subordinate Series 2012A Bonds. The Preliminary Official Statement  
15 shall be distributed (via printed format and/or electronic means) for use in selling the  
16 Subordinate Series 2012A Bonds at such time or times as the General Manager, the  
17 Deputy General Manager-Business and/or the Deputy General Manager-Operations  
18 (after consultation with the Board's financial advisor, Bond Counsel, Disclosure Counsel  
19 and such other advisors the Board believes to be useful) shall determine that the  
20 Preliminary Official Statement is "final" within the meaning of Securities Exchange  
21 Commission Rule 15c2-12 ("Rule 15c2-12"). The Underwriter is authorized to distribute  
22 (via printed format and/or through electronic means) copies of the Water Department's  
23 most recent annual audited financial statements and such other financial statements of  
24 the Water Department as the Designated Officers, any one or more thereof, shall  
25 approve.

26 The General Manager, the Deputy General Manager-Business and the  
27 Deputy General Manager-Operations are hereby authorized to execute a certificate or  
28 certificates to the effect that the Preliminary Official Statement is deemed "final" as of its

1 date for purposes of Rule 15c2 12, and are authorized to so deem such Preliminary  
2 Official Statement final.

3           Section 12. Approval of the Final Official Statement. Prior to the final  
4 delivery of the Subordinate Series 2012A Bonds, the General Manager, the Deputy  
5 General Manager-Business and/or the Deputy General Manager-Operations shall provide  
6 for the preparation, publication, execution and delivery of a final Official Statement  
7 relating to the Subordinate Series 2012A Bonds in substantially the form of the draft  
8 Preliminary Official Statement presented to this meeting. The General Manager, the  
9 Deputy General Manager-Business and/or the Deputy General Manager-Operations are  
10 hereby authorized and directed to execute and deliver the final Official Statement in the  
11 name of and on behalf of the Board, and to make any changes or revisions necessary to  
12 the Preliminary Official Statement in order for the final Official Statement to meet the  
13 requirements of the Board under the Bond Purchase Agreement. The execution thereof  
14 shall constitute conclusive evidence of the Board's approval of any and all changes or  
15 revisions therein from the form of the Preliminary Official Statement now before this  
16 meeting. The Official Statement shall be distributed (via printed format and/or electronic  
17 means) for use in selling the Subordinate Series 2012A Bonds at such time or times as  
18 the General Manager, the Deputy General Manager-Business and/or the Deputy General  
19 Manager-Operations (after consultation with the Board's financial advisor, Bond Counsel  
20 and Disclosure Counsel and such other advisors the Board believes to be useful) shall  
21 determine that the Official Statement is a "final official statement" within the meaning of  
22 Rule 15c2-12. The Underwriter is hereby authorized to distribute (via printed format  
23 and/or electronic means) the Official Statement, in connection with the sale of the  
24 Subordinate Series 2012A Bonds to the public.

25           Section 13. Prohibition on Issuing Parity Obligations. The Board hereby  
26 irrevocably covenants that the Board, on behalf of the City, will not issue any additional  
27 Parity Obligations in the future and that the Board will not issue and/or incur any other  
28 obligations in the future that would have a lien on Net Revenues senior to the

1 Subordinate Obligations (including the Subordinate Series 2012A Bonds). The  
2 Designated Officers, each acting alone, are hereby authorized and directed to execute  
3 and deliver any documents necessary to give effect to this Section 13, in each case to  
4 the extent, in the form, and with the terms and provisions as the Designated Officer  
5 executing the same shall determine is appropriate (said determination to be conclusively  
6 evidenced by the execution and delivery of such documents). Such documents may  
7 include (but shall not be limited to) supplements and amendments to the Senior Lien  
8 Trust Indenture that include a covenant not to issue Parity Obligations in the future and/or  
9 issue and/or incur any other obligations in the future that would have a lien on Net  
10 Revenues senior to the Subordinate Obligations (including the Subordinate Series 2012A  
11 Bonds).

12 Section 14. Confirmation of Underwriter. The Board hereby confirms the  
13 selection of E. J. De La Rosa & Co., Inc., as the Underwriter of the Subordinate Series  
14 2012A Bonds.

15 Section 15. Trustee, Paying Agent and Registrar. The Board hereby  
16 appoints U.S. Bank National Association, as trustee, paying agent and registrar for the  
17 Subordinate Series 2012A Bonds. Such appointments shall be effective upon the  
18 issuance of the Subordinate Series 2012A Bonds and shall remain in effect until the  
19 Board shall, by supplemental agreement or by Resolution, name a substitute or  
20 successor thereto.

21 Section 16. Financial Advisor. The Board hereby appoints Public  
22 Financial Management to serve as Financial Advisor in connection with the issuance of  
23 the Subordinate Series 2012A Bonds.

24 Section 17. Bond and Disclosure Counsel. The Board hereby appoints  
25 Kutak Rock LLP to serve as Bond Counsel and Disclosure Counsel in connection with  
26 the issuance of the Subordinate Series 2012A Bonds.

27 Section 18. Additional Authorization. The General Manager, the Deputy  
28 General Manager-Business, the Deputy General Manager-Operations, the Director of

1 Finance, and all officers, agents and employees of the Water Department, for and on  
2 behalf of the Board, be and they hereby are authorized and directed to do any and all  
3 things necessary to effect the execution and delivery of the Subordinate Series 2012A  
4 Bonds, the Second Supplemental Subordinate Indenture, the Third Supplemental  
5 Subordinate Indenture, the Bond Purchase Agreement, the Continuing Disclosure  
6 Certificate and the final Official Statement and to carry out the terms thereof. The  
7 General Manager, the Deputy General Manager-Business, the Deputy General Manager-  
8 Operations, the Director of Finance, and all officers, agents and employees of the Water  
9 Department are further authorized and directed, for and on behalf of the Board, to  
10 execute all papers, documents, certificates and other instruments, including but not  
11 limited to a tax compliance certificate that may be required in order to carry out the  
12 authority conferred by this Resolution or the Third Supplemental Subordinate Indenture  
13 or to evidence the same authority and its exercise. The foregoing authorization includes,  
14 but is in no way limited to, authorizing Water Department staff to pay costs of issuance of  
15 the Subordinate Series 2012A Bonds, fees and costs of the Subordinate Trustee and the  
16 Underwriter's fees; authorizing the General Manager, the Deputy General Manager-  
17 Business, the Deputy General Manager-Operations and/or the Director of Finance to  
18 direct the investment of the proceeds of the Subordinate Series 2012A Bonds in one or  
19 more of the permitted investments provided for under the Third Supplemental  
20 Subordinate Indenture, and authorizing the execution and delivery by the General  
21 Manager, the Deputy General Manager-Business, and/or the Deputy General Manager-  
22 Operations, any one of them, of any and all notices and of any documents required by  
23 The Depository Trust Company in connection with issuing the Subordinate Series 2012A  
24 Bonds in book-entry form.

25 Section 19. Costs of Issuance. The Board authorizes funds of the Water  
26 Department, together with the proceeds of the Subordinate Series 2012A Bonds, to be  
27 used to pay costs of issuance of the Subordinate Series 2012A Bonds, including, but not  
28 limited to, costs and expenses of attorneys, accountants, financial advisors, the costs

1 associated with rating agencies, printing, publication and mailing expenses; and any  
2 related filing fees thereof.

3 Section 20. Approval of the City. The Board hereby requests the City  
4 Council to approve the issuance of the Subordinate Series 2012A Bonds.

5 Section 21. Severability of Invalid Provisions. If any one or more of the  
6 provisions contained in this Resolution shall for any reason be held to be invalid, illegal or  
7 unenforceable in any respect, then such provision or provisions shall be deemed  
8 severable from the remaining provisions contained in this Resolution and such invalidity,  
9 illegality or unenforceability shall not affect any other provision of this Resolution, and this  
10 Resolution shall be construed as if such invalid or illegal or unenforceable provision had  
11 never been contained herein. The Board hereby declares that it would have adopted this  
12 Resolution and each and every Section, paragraph, sentence, clause or phrase hereof  
13 and authorized the issuance of the Subordinate Series 2012A Bonds pursuant thereto  
14 irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or  
15 phrases of this Resolution may be held illegal, invalid or unenforceable.

16 Section 22. Section Headings and References; Interpretation. The  
17 headings or titles of the several Sections hereof, and any table of contents appended to  
18 copies hereof, shall be solely for convenience of reference and shall not affect the  
19 meaning, construction or effect of this Resolution.

20 All references herein to "Sections" and other subdivisions are to the  
21 corresponding Sections or subdivisions of this Resolution; the words "herein," "hereof,"  
22 "hereby," "hereunder" and other words of similar import refer to this Resolution as a  
23 whole and not to any particular Section or subdivision hereof; and words of the masculine  
24 gender shall mean and include words of the feminine and neuter genders.

25 Section 23. Governing Law. This Resolution shall be construed and  
26 governed in accordance with the laws of the State of California.

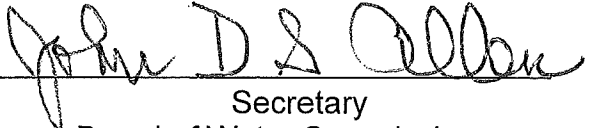
27 Section 24. Effective Date of Resolution. The Secretary shall certify to the  
28 passage of this Resolution by the Board, and it shall thereupon take effect.

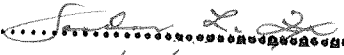


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I hereby certify that the foregoing Resolution was adopted by the Board of Water Commissioners of the City of Long Beach, at its meeting of July 12, 2012, by the following vote:

Ayes:	Commissioners:	<u>TOWNSEND; ALLEN; BLANCO;</u>
		<u>DALLMAN; CLARKE</u>
		_____
Noes:	Commissioners:	<u>NONE</u>
Absent:	Commissioners:	<u>NONE</u>
		_____

  
Secretary  
Board of Water Commissioners

CERTIFIED AS A TRUE AND CORRECT COPY  
.....  
SECRETARY TO THE BOARD OF WATER COMMISSIONERS  
CITY OF LONG BEACH, CALIFORNIA  
BY:   
DATE: 7/12/2012

OFFICE OF THE CITY ATTORNEY  
ROBERT E. SHANNON, 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 APPROVING THE ISSUANCE OF  
SECOND LIEN WATER REVENUE BONDS BY THE  
BOARD OF WATER COMMISSIONERS OF THE CITY OF  
LONG BEACH, ON BEHALF OF THE CITY OF LONG  
BEACH

WHEREAS, Section 3.52.110 et al. of the Long Beach Municipal Code provides that revenue bonds may be issued and sold on behalf of the City of Long Beach (the "City") by the Board of Commissioners of any department of the City, which has its own Board of Commissioners, for the purposes of such department, with the approval of the City Council expressed by Resolution; and

WHEREAS, the Board of Water Commissioners of the City (the "Board") proposes to issue Second Lien Water Revenue Bonds, Series 2012A (the "Series 2012A Bonds"), in an aggregate principal amount of not to exceed \$15,000,000 on behalf of the City, to refund all or a portion of the outstanding City of Long Beach, California Subordinate Water Revenue Commercial Paper Notes, Series A; and

WHEREAS, the City Council now desires to approve the issuance of the Series 2012A Bonds by the Board, on behalf of the City;

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

Section 1. That the issuance and sale of the Series 2012A Bonds by the Board, on behalf of the City, in an aggregate principal amount not to exceed \$15,000,000, is hereby approved.

The Series 2012A Bonds shall be issued as special, limited obligations of the City and shall be secured by a pledge of and lien upon and shall be a charge upon

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

1 and shall be payable from the revenues of the Water Enterprise of the City. The Series  
2 2012A Bonds shall not be a debt of the City, nor a legal or equitable pledge, charge, lien  
3 or encumbrance upon any of the City's property or upon any of the City's income,  
4 receipts or revenues, except the revenues of the Water Enterprise of the City. The  
5 general fund of the City shall not be liable for the payment of the Series 2012A Bonds or  
6 interest thereon, nor shall the credit or the taxing power of the City be pledged therefor.

7 Section 2. That the City Clerk is hereby authorized and directed to  
8 forward to the Board, without delay, a certified copy of this Resolution.

9 Section 3. This Resolution shall take effect immediately upon its  
10 adoption by the City Council, and the City Clerk shall certify the vote adopting this  
11 Resolution.

12 I hereby certify that the foregoing Resolution was adopted by the City  
13 Council of the City of Long Beach at its meeting of July 24, 2012, by the following vote:

14  
15 Ayes: Councilmembers: \_\_\_\_\_  
16 \_\_\_\_\_  
17 \_\_\_\_\_

18  
19 Noes: Councilmembers: \_\_\_\_\_  
20 \_\_\_\_\_

21 Absent: Councilmembers: \_\_\_\_\_  
22 \_\_\_\_\_

23  
24  
25 \_\_\_\_\_  
City Clerk

26  
27  
28