

CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

R-15

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

May 5, 2015

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt a Resolution authorizing the issuance of Marina Revenue Bonds, Series 2015, in an aggregate amount not to exceed \$125,000,000, and the execution of various related documents. (District 3)

DISCUSSION

The City proposes to issue Marina Revenue Bonds, Series 2015 (Series 2015 Bonds), in an aggregate amount not to exceed \$125,000,000, to finance the completion of the waterside improvements to the Alamitos Bay Marina (ABM Rebuild). This proposed bond issuance includes \$49.2 million for the waterside improvements, prepayment of certain existing State loans, funding of capitalized interest on the Series 2015 Bonds during the construction period, funding a debt service reserve for the Series 2015 Bonds, and payment of bond issuance costs.

On April 15, 2014, staff reported to the City Council that the cost to complete the ABM Rebuild was \$60.1 million. Staff also reported that a bond issuance of \$34 to \$40 million for the waterside improvements could be feasible, assuming ongoing 2 percent annual slip rent increases. To complete the ABM Rebuild, an additional \$20 to \$26 million would need to be identified, with the most likely source being the Tidelands Fund.

On August 19, 2014, the City Council authorized \$10.9 million from the Tidelands Operating Fund (TF 401) for the ABM Rebuild with the understanding that additional funding, likely from Tidelands, of up to \$15 million might still be needed (for a total of \$26 million). Due to the sharp decline in the price of oil and the lack of funding for new Tidelands capital projects in the foreseeable future, staff began exploring the feasibility of funding the remaining cost of the ABM Rebuild with a bond issuance supported exclusively by Marina Fund revenues.

Much investigation was done to ensure that the completion of the ABM Rebuild was affordable. The City engaged a team of financial and market experts to determine the feasibility of such a bond issuance. The team projected that annual slip rent increases of 2 percent would be both sufficient, competitive with the market, and sustainable to support a bond issuance to complete the ABM Rebuild. If the bonds are sold as expected, the ABM Rebuild would be completed without any additional Tidelands funding. The proposed Series 2015 Bonds are based on this recommendation.

New Money to Complete the ABM Rebuild

The cost to complete the ABM Rebuild was \$60.1 million. The City Council has already authorized \$10.9 million from the Tidelands Operating Fund (TF 401) and the money has been expended on the ABM Rebuild. The remaining \$49.2 million will be funded from Series 2015 Bond proceeds. The ABM Rebuild does not include landside improvements such as restrooms, parking lot improvements and landscaping.

Early Repayment of Certain State Loans for the Marina

There are currently \$59.2 million of loans from the State Department of Parks and Recreation, Division of Boating and Waterways (DBW Marina Loans). These DBW Marina Loans primarily financed previous phases of the ABM and the Shoreline Marina rebuilds, and will be paid off by the Series 2015 Bonds. The repayment of the \$59.2 million DBW Marina Loans does not include the \$16.9 million DBW loan that was approved by the City Council on March 17, 2015. The timely issuance of bonds will preclude the need for the City to draw on this loan. Paying off the DBW Marina Loans is necessary as part of the ABM Rebuild financing.

This matter was reviewed by Assistant City Attorney Richard Anthony on April 15, 2015 and by Budget Management Officer Victoria Bell on April 17, 2015.

TIMING CONSIDERATIONS

City Council action is requested on May 5, 2015 in order to facilitate processing of required documents and benefit from currently advantageous interest rates, and to ensure the timely completion of the ABM Rebuild. Staff will return to City Council after the sale of the Series 2015 Bonds to execute the contract amendments needed to complete the ABM Rebuild.

FISCAL IMPACT

The Series 2015 Bonds will be special, limited obligations of the City, secured solely by a pledge of Marina Fund revenues, primarily monthly slip rent for boat docking. The Series 2015 Bonds will not be a debt of the City, nor will the credit or taxing power of the City be pledged in support of the Series 2015 Bonds.

Slip revenues comprise over 80 percent of total Marina Fund revenues. In order to sell the Series 2015 Bonds, the City will be required to maintain the Marina Fund in a sound financial condition, with a minimum debt service coverage ratio of 1.25. From a practical viewpoint, this means that it is expected that annual slip rent increases of a minimum of 2 percent will be required for the foreseeable future, inclusive of Fiscal Year 2016.

The expected amount of bonds to be issued is approximately \$120 million, to provide for the \$49.2 million to complete the ABM Rebuild; \$61.5 million to pay off the outstanding ABM loans, including interest; and, \$8 million to fund a required debt service reserve and to pay the costs of bond issuance. A higher authorization amount of \$125 million is requested to allow flexibility in the final structuring of the bonds to meet market conditions or other needs. Any change in the amount or restructuring will not significantly alter the basic financial assumptions or the ability of the Marina Fund to repay the Series 2015 Bonds. This project will provide continued support to our local economy by providing up to 30 jobs during the next phases of the ABM Rebuild.

HONORABLE MAYOR AND CITY COUNCIL

May 5, 2015

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS
DIRECTOR OF FINANCIAL MANAGEMENT



GEORGE CHAPJIAN
DIRECTOR OF PARKS, RECREATION AND MARINE

JG:GC:EH:DN:LK
T:\EXEC\COUNCIL LETTERS\TREASURY\05-05-15 CCL - MARINA REVENUE BONDS.DOCX
ATTACHMENT

APPROVED:



PATRICK H. WEST
CITY MANAGER

1 RESOLUTION NO.
2

3 RESOLUTION AUTHORIZING THE ISSUANCE OF
4 NOT TO EXCEED \$125,000,000 PRINCIPAL AMOUNT OF
5 CITY OF LONG BEACH MARINA REVENUE BONDS
6 (ALAMITOS BAY MARINA PROJECT), SERIES 2015
7 APPROVING THE FORM AND AUTHORIZING
8 EXECUTION OF AN INDENTURE OF TRUST, A BOND
9 PURCHASE AGREEMENT, A CONTINUING DISCLOSURE
10 CERTIFICATE AND A PRELIMINARY OFFICIAL
11 STATEMENT AND AUTHORIZING ACTIONS RELATED
12 THERETO
13

14 WHEREAS, the City has determined to issue its City of Long Beach (Los
15 Angeles County, California) Marina Revenue Bonds (Alamitos Bay Marina Project),
16 Series 2015 (the "Bonds"), pursuant to an indenture of trust (the "Indenture"), by and
17 between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the
18 "Trustee"), to (a) finance improvements to the Alamitos Bay Marina (the "Project"), (b)
19 prepay certain existing loans from the State Department of Parks and Recreation,
20 Division of Boating and Waterways (the "DBW Marina Loans"), (c) fund a portion of
21 capitalized interest on the Bonds during the Project construction period, (d) fund a
22 reserve fund for the Bonds, and (e) pay the costs of issuance of the Bonds; and

23 WHEREAS, the Bonds will be special obligations of the City, are payable
24 solely from and secured by a pledge of the net revenues of the City's municipal marina
25 system (the "Marina System"), being the gross revenues of the Marina System, less
26 operating and maintenance expenses of the Marina System, and such net revenues will
27 be pledged, as a first and prior lien thereon, to pay the Bonds and payments with respect
28 to any parity obligations hereafter issued or incurred by the City; and

1 WHEREAS, the firms of Morgan Stanley & Co. LLC and Raymond James &
2 Associates, Inc. (collectively, the "Underwriters") have proposed to purchase and
3 underwrite the Bonds and have presented to the City a form of bond purchase agreement
4 for the Bonds, to be entered into between the City and the Underwriters (the "Bond
5 Purchase Agreement"); and

6 WHEREAS, the Council has duly considered such transactions and wishes
7 at this time to approve said transactions in the public interests of the City;

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

10 Section 1. Determination to Carry Out Project. The Council hereby
11 determines to carry out the issuance and sale of the Bonds to (a) finance the Project, (b)
12 prepay the DBW Marina Loans, (c) fund capitalized interest on the Bonds, (d) fund a
13 reserve fund for the Bonds, and (e) pay the costs of issuance of the Bonds.

14 Section 2. Issuance of the Bonds; Approval of Indenture.

15 A. The Council hereby authorizes the issuance of the Bonds.
16 The maximum aggregate principal amount of the Bonds shall not exceed
17 \$125,000,000.

18 B. The Bonds shall be issued pursuant to the Indenture. The
19 Council hereby approves the Indenture in the form on file with the City
20 Clerk. The City Manager, the Director of Financial Management and the
21 City Treasurer (collectively, the "Designated Officers"), each acting alone,
22 are hereby authorized and directed to execute, for and in the name of the
23 City, and the City Clerk is hereby authorized and directed to attest, the
24 Indenture in such form, together with any changes therein or additions
25 thereto deemed advisable by the Designated Officer executing the
26 Indenture, upon consultation with the City Attorney and Bond Counsel, and
27 the execution and delivery of the Indenture by a Designated Officer shall be
28 conclusive evidence of the approval of any such changes or additions. The

1 Council hereby authorizes the delivery and performance by the City of the
2 Indenture.

3 Section 3. Sale of Bonds. The Council hereby approves the sale of the
4 Bonds to the Underwriters pursuant to the Bond Purchase Agreement in the form on file
5 with the City Clerk, so long as the principal amount of the Bonds does not exceed
6 \$125,000,000, the maximum annual debt service on the Bonds is not greater than
7 \$10,000,000 and the Underwriters' discount is not greater than 0.60%. The Designated
8 Officers, each acting alone, are hereby authorized and directed to execute, for and in the
9 name of the City, the Bond Purchase Agreement in such form, together with any changes
10 therein or additions thereto deemed advisable by the Designated Officer executing the
11 Bond Purchase Agreement upon consultation with the City Attorney and Bond Counsel,
12 and the execution and delivery of the Bond Purchase Agreement by a Designated Officer
13 shall be conclusive evidence of the approval of any such changes or additions. The
14 Council hereby authorizes the delivery and performance by the City of the Bond
15 Purchase Agreement.

16 Section 4. Continuing Disclosure Certificate. The Council hereby
17 approves a continuing disclosure certificate (the "Continuing Disclosure Certificate"), in
18 the form on file with the City Clerk. The Designated Officers, each acting alone, are
19 hereby authorized and directed to execute, for and in the name of the City, the
20 Continuing Disclosure Certificate in such form, together with any changes therein or
21 additions thereto deemed advisable by the Designated Officer executing the Continuing
22 Disclosure Certificate upon consultation with the City Attorney and Bond Counsel, and
23 the execution and delivery of the Continuing Disclosure Certificate by a Designated
24 Officer shall be conclusive evidence of the approval of any such changes or additions.
25 The Council hereby authorizes the delivery and performance by the City of the
26 Continuing Disclosure Certificate.

27 Section 5. Official Statement. The Council hereby approves, and hereby
28 deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of

1 1934, as amended (the "Rule"), the Preliminary Official Statement in the form on file with
2 the City Clerk. The Designated Officers, each acting alone, are hereby authorized and
3 directed to execute an appropriate certificate stating the City's determination that the
4 Preliminary Official Statement is nearly final within the meaning of the Rule. Distribution
5 of the Preliminary Official Statement in connection with the sale of the Bonds is hereby
6 approved. The Designated Officers, each acting alone, are hereby authorized and
7 directed, upon consultation with the City Attorney and Disclosure Counsel, to approve
8 any changes in or additions to the Preliminary Official Statement deemed necessary or
9 desirable to bring it into the form of a final official statement (the "Final Official
10 Statement"), and the Final Official Statement shall be executed in the name and on
11 behalf of the City by any Designated Officer whose execution thereof shall be conclusive
12 evidence of approval of any such changes and additions. The Council hereby authorizes
13 the distribution of the Final Official Statement by the Underwriters.

14 Section 6. Official Actions. The City Manager, the Finance Director, the
15 City Treasurer, the City Clerk and all other officers of the City are each authorized and
16 directed in the name and on behalf of the City to make any and all assignments, and to
17 execute any and all certificates, requisitions, agreements, notices, consents, instruments
18 of conveyance, warrants and other documents (including any agreement needed to
19 obtain municipal bond insurance for the Bonds and/or for the reserve fund if, in the
20 judgment of the Treasurer, upon consultation with the City's financial advisor, such
21 insurance is cost effective), which they or any of them deem necessary or appropriate in
22 order to consummate the sale and issuance of the Bonds and any of the other
23 transactions contemplated by the documents approved pursuant to this Resolution.
24 Whenever in this Resolution any officer of the City is authorized to execute or countersign
25 any document or take any action, such execution, countersigning or action may be taken
26 on behalf of such officer by any person designated by such officer to act on his or her
27 behalf in the case such officer shall be absent or unavailable

28 Section 7. This resolution shall take effect immediately upon its adoption

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

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by the City Council, and the City Clerk shall certify the vote adopting this resolution.

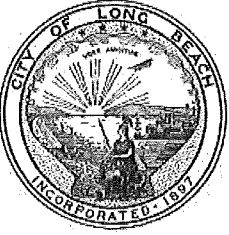
I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of _____, 2015 by the following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

City Clerk



May 5, 2015

Marina Revenue Bonds, Series 2015, Documents:

Draft Preliminary Official Statement

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Draft Indenture

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Draft Bond Purchase Agreement

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Draft Continuing Disclosure Certificate

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**A SCANNED IMAGE OF THE AGENDA ITEM
ATTACHMENTS ARE AVAILABLE IN LEGISTAR INSITE 2.0 AT
<http://longbeach.legistar.com/Calendar.aspx>**

OR

PLEASE CONTACT

THE LONG BEACH CITY CLERK DEPARTMENT AT

(562) 570-6101

(562) 570-6789 (FAX)

cityclerk@longbeach.gov