

April 19, 2022

R-19

REVISED

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt a Resolution approving proceedings by the Finance Authority of Long Beach for the issuance and sale of its Finance Authority of Long Beach Lease Revenue Bonds, Series 2022, to finance and refinance various capital projects, approving the form and authorizing execution of related documents, and approving related official actions. (Districts 1, 4 and 5)

DISCUSSION

The Long Beach Bond Finance Authority (Authority) Lease Revenue Refunding Bond 2012 Series A (2012 Bonds) will soon be eligible for refunding. The refunding of the 2012 Bonds will reduce the annual debt service burden in various City of Long Beach (City) funds including the General, Fleet Services, and Towing Fund Groups. The 2012 Bonds were issued to refund the 1998 Series B Temple and Willow Bonds, 2005 Series A Temple and Willow Bonds, 2001 Plaza Parking Facility Bonds, 2002 Public Safety Facilities Bonds, 2003 Skylinks Golf Course Bonds, and 2004 Series A Long Beach Towne Center Bonds, thereby reducing annual debt service payments. As the 2012 Bonds have reached eligibility for refunding, the opportunity to achieve further debt service savings and reimburse the Fleet Services Fund Group for an interfund loan for the project management costs related to the Public Safety Garage in a cost-effective manner is now available.

The City proposes that the refunding of the 2012 Bonds be financed from the proceeds of the Finance Authority of Long Beach Lease Revenue Bonds, Series 2022 (2022 Bonds), to be issued by the Authority under the provisions of Article 4 (commencing with section 6584) of the JPA Act (Bond Law). To provide repayment of the Bonds, the City and the Authority will enter into a lease-leaseback arrangement on City-owned property. The proceeds from the Bonds will be used to refund approximately \$41,520,000 of aggregate bond principal and issue \$1,650,000 to fund the Public Safety Garage costs reimbursement and pay the cost of issuance. The Bonds will be structured without a debt service reserve fund thus lowering the required issuance amount and related interest cost of this financing. The total annual interest savings is projected to be approximately \$3.7 million over ten years through the final maturity of August 1, 2031.

City staff recommends approval of the issuance of the 2022 Lease Revenue Refunding Bonds, in an aggregate par amount not to exceed \$45,000,000 and aggregate yield not to exceed 3.30 percent to refund the outstanding 2012 Lease Revenue Refunding Bonds in order to take advantage of current market interest rates, release various properties currently pledged, allow the City to enter into a new City Pledge Agreement, and pay for the cost of issuance.

This matter was reviewed by Principal Deputy City Attorney Richard F. Anthony on March 18, 2022 and by Revenue Management Officer Geraldine Alejo on March 31, 2022.

TIMING CONSIDERATIONS

City Council action is requested on April 19, 2022 to facilitate the timely issuance of refunding Bonds to finance and refinance capital project funding to minimize interest costs.

FISCAL IMPACT

Bond proceeds from the Finance Authority of Long Beach Lease Revenue Bonds Series 2022 is estimated at \$45,000,000, all of which may be required to offset the cost of refunding the 2012 Bonds. Under the Series 2022 Bonds, the annual debt service payment is estimated to range from approximately \$3.1 million to \$6.1 million. Depending on the financial market conditions at sale, the debt refunding is expected to reduce the total interest cost by approximately \$3.7 million, without extending the final term of the bonds. Savings will start in Fiscal Year 2022. Impacted fund groups will be based on the type of bond and include the Fleet Services, Towing, and General Fund Groups. At this time, only estimates are available, with the net fiscal impact per fund group (inclusive of costs, proceeds, and savings) finalized following the sale. City staff will return to the City Council in a future Budget Adjustment Council Letter, with a request for appropriation to refund the 2012 Bonds which is anticipated to be fully offset by bond proceeds of approximately the same amount. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing Council priorities. There is no local job impact associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



KEVIN RIPER
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



THOMAS B. MODICA
CITY MANAGER

- ATTACHMENTS: RESOLUTION
A -- SITE AND FACILITY LEASE AGREEMENT
B – ESCROW AGREEMENT
C – LEASE AGREEMENT
D – TERMINATION AGREEMENT
E – PRELIMINARY OFFICIAL STATEMENT
F – BOND PURCHASE AGREEMENT

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH APPROVING PROCEEDINGS BY THE FINANCE AUTHORITY OF LONG BEACH FOR THE ISSUANCE AND SALE OF ITS FINANCE AUTHORITY OF LONG BEACH LEASE REVENUE BONDS, SERIES 2022, TO FINANCE AND REFINANCE VARIOUS CAPITAL PROJECTS, APPROVING THE FORM AND AUTHORIZING EXECUTION OF RELATED DOCUMENTS AND APPROVING RELATED OFFICIAL ACTIONS

WHEREAS, the City of Long Beach (the “City”) proposes to (a) refund, on a current basis, the outstanding Long Beach Bond Finance Authority Lease Revenue Refunding Bonds, 2012 Series A (the “2012 Bonds”), issued to refund certain outstanding bonds issued to finance capital projects for the City and (b) reimburse the City for costs incurred for certain new capital projects (the “2022 Project”); and

WHEREAS, it is proposed that the 2012 Bonds will be refunded and that the 2022 Project will be financed from the proceeds of Finance Authority of Long Beach Lease Revenue Bonds, Series 2022 (the “Bonds”), to be issued by the Authority under the provisions of Article 4 (commencing with section 6584) of the JPA Act (the “Bond Law”), and pursuant to the terms of an indenture of trust, by and between the Authority and U.S. Bank Trust Company, National Association, as trustee; and

WHEREAS, in order to provide for the repayment of the Bonds, the City will lease certain City-owned property and the sites thereof (collectively, the “Property”) to the Authority pursuant to a site and facility lease (the “Site and Facility Lease”) and the Authority will lease the Property back to the City pursuant to a lease agreement (the “Lease Agreement”) under which the City will agree to make lease payments to the

1 Authority from moneys in the City’s General Fund and the City will budget and
2 appropriate sufficient amounts in each year to pay the lease payments which will be
3 equal to the scheduled principal of and interest on the Bonds; and

4 WHEREAS, the proposed form of a preliminary official statement (the
5 “Preliminary Official Statement”) describing the Bonds, to be used in connection with the
6 marketing of the Bonds, has been prepared and has been presented to the Authority; and

7 WHEREAS, RBC Capital Markets, LLC, Cabrera Capital Markets, LLC and
8 Stern Brothers & Co. (collectively, the “Underwriters”), have proposed to purchase and
9 underwrite the Bonds and has presented to the Authority and the City a form of bond
10 purchase agreement for the Bonds, to be entered into among the Authority, the City and
11 the Underwriters (the “Bond Purchase Agreement”); and

12 WHEREAS, the City Council desires to make a finding of significant public
13 benefit pursuant to section 6586.5(a)(2) of the California Government Code and to
14 approve of the financing and the transactions contemplated by the Bonds; and

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

17 WHEREAS, pursuant to section 5852.1 of the Government Code, which
18 became effective on January 1, 2018, by the enactment of Senate Bill 450, certain
19 information relating to the Bonds is set forth in Exhibit A attached to this Resolution, and
20 such information is hereby disclosed and made public;

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

23 Section 1. Recitals True and Correct. The City Council hereby finds and
24 determines that the foregoing recitals are true and correct.

25 Section 2. Findings. The City Council hereby finds that significant public
26 benefits will arise from the financing contemplated by the Bonds and the documents
27 related thereto, in accordance with section 6586 of the California Government Code.

28 Section 3. Approval of Bonds. The City Council hereby approves the

1 issuance of the Bonds by the Authority for the purpose of refunding the 2012 Bonds of
2 providing funds to finance the 2022 Project.

3 Section 4. Approval of Site and Facility Lease. The City Council hereby
4 approves the Site and Facility Lease, in the form on file with the City Clerk, together with
5 any changes therein or additions thereto deemed advisable by the City Manager, the
6 Director of Financial Management or the City Treasurer (each, a “Designated Officer”),
7 and the execution of the Site and Facility Lease by a Designated Officer shall be
8 conclusive evidence of such approval. The Designated Officers, each acting alone, are
9 hereby authorized and directed for and in the name and on behalf of the City to execute
10 the final form of the Site and Facility Lease for and in the name of the City. The City
11 Council hereby authorizes the delivery and performance of the Site and Facility Lease.

12 Section 5. Approval of Lease Agreement. The City Council hereby
13 approves the Lease Agreement, in the form on file with the City Clerk, together with any
14 changes therein or additions thereto deemed advisable by any of the Designated
15 Officers, and the execution of the Lease Agreement by a Designated Officer shall be
16 conclusive evidence of the approval of any such changes or additions. The Designated
17 Officers, each acting alone, are hereby authorized and directed for and in the name and
18 on behalf of the City to execute the final form of the Lease Agreement for and in the
19 name of the City. The City Council hereby authorizes the delivery and performance of the
20 Lease Agreement.

21 Section 6. Approval of Escrow Agreement. The City Council hereby
22 approves an escrow agreement, by and between the City and The Bank of New York
23 Mellon Trust Company, N.A., as trustee for the 2012 Bonds and as escrow bank,
24 providing for the defeasance of the 2012 Bonds (the “Escrow Agreement”), in the form on
25 file with the City Clerk, together with such additions thereto and changes therein as any
26 Designated Officer shall deem necessary, desirable or appropriate, the execution of
27 which by the City shall be conclusive evidence of the approval of any such additions and
28 changes. The Designated Officers, each acting alone, are hereby authorized and directed

1 to execute the final form of the Escrow Agreement for and in the name and on behalf of
2 the City. The City Council hereby authorizes the delivery and performance of the Escrow
3 Agreement.

4 Section 7. Sale of Bonds. The City Council hereby approves the sale of
5 the Bonds by the Authority by negotiation with the Underwriters pursuant to the Bond
6 Purchase Agreement, in the form on file with the City Clerk, together with such additions
7 thereto and changes therein as any of the Designated Officers shall deem necessary,
8 desirable or appropriate, and the execution of which by a Designated Officer shall be
9 conclusive evidence of the approval of such additions and changes. The Designated
10 Officers, each acting alone, are hereby authorized and directed for and in the name and
11 on behalf of the City to execute the final form of the Bond Purchase Agreement for and in
12 the name of the City; provided that (a) the amount of Underwriters' discount for the Bonds
13 shall be not more than 0.50% of the par amount thereof, (b) the refunding of the 2012
14 Bonds produces present value savings of not less than 3.00%, (c) the portion of the
15 principal amount of the Bonds issued to finance the 2022 Project is not greater than
16 \$1,650,000, (d) the true interest cost of the Bonds does not exceed 3.30% and (e) the
17 term of the Bonds does not extend beyond August 1, 2031.

18 Section 8. Official Statement. The City Council hereby approves, and
19 hereby deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange
20 Act of 1934 (the "Rule"), the Preliminary Official Statement, in the form on file with the
21 City Clerk. The Designated Officers, each acting alone, are hereby authorized and
22 directed to execute an appropriate certificate stating the City's determination that the
23 Preliminary Official Statement is nearly final within the meaning of the Rule. Distribution
24 of the Preliminary Official Statement in connection with the sale of the Bonds is hereby
25 approved. The Designated Officers, each acting alone, are hereby authorized and
26 directed, upon consultation with Disclosure Counsel to the Authority for the Bonds and
27 the City Attorney, to approve any changes in or additions to the Preliminary Official
28 Statement deemed necessary or desirable to bring it into the form of a final official

1 statement (the "Final Official Statement"), and the execution of the Final Official
2 Statement by any Designated Officer shall be conclusive evidence of approval of any
3 such changes and additions. The City Council hereby authorizes the distribution of the
4 Final Official Statement by the Underwriters. The Final Official Statement shall be
5 executed in the name and on behalf of the City by any of the Designated Officers.

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

17 Section 10. This resolution shall take effect immediately upon its adoption
18 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
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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 _____, 2022 by the following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

Recusal(s): Councilmembers: _____

City Clerk

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EXHIBIT A

GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The following information consists of estimates that have been provided by the City's Municipal Advisor and underwriter which has been represented to have been provided in good faith:

(A) <u>True Interest Cost of the Bonds:</u>	2.600%
(B) <u>Finance Charges:</u>	\$472,455
(C) <u>Net Proceeds to be Received:</u> (net of finance charges)	\$44,089,655
(D) <u>Total Payment Amount through Maturity:</u>	\$49,312,986

The foregoing estimates constitute good faith estimates only.

The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates, (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the City's financing plan, or a combination of such factors. The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the City based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates with respect to the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the City