

# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

# R-15

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802

July 16, 2013

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Adopt a Resolution of the City Council approving the issuance and/or incurrence, from time to time, by the Board of Harbor Commissioners, on behalf of the City of Long Beach, of Subordinate Harbor Revenue Revolving Obligations secured by Subordinate Harbor Department Revenues, in an aggregate principal amount, outstanding at any one time, not to exceed \$200,000,000, to finance any legal purposes of the Harbor Department and certain other matters. (District 2)

## DISCUSSION

The Board of Harbor Commissioners (Board) acting on behalf of the City of Long Beach (City) proposes to issue Subordinate Harbor Revenue Revolving Obligations in an aggregate principal amount, outstanding at any one time, not to exceed \$200,000,000 for the purpose of financing and refinancing certain capital improvements. The Subordinate Harbor Revenue Revolving Obligations shall be secured and payable from subordinate Harbor Department revenues.

The Harbor Department currently expects to finance approximately \$1.2 billion of the capital projects and improvements to be completed at the Port of Long Beach over the next three years. The capital projects and improvements will include, but not be limited to, the Middle Harbor Development Project, Pier G Modernization, rail projects, replacement of the Gerald Desmond Bridge, Port maintenance building, fire station/fire boat replacements, Pier T/Pier Echo redevelopment, dredging projects, Port security projects, Port mitigation projects, Harbor Department buildings, and various engineering projects (collectively, the Projects).

The Board has determined that it is in the best interest of the City to have the capacity to issue and/or incur short-term Subordinate Harbor Revenue Revolving Obligations in order to provide funds to finance and refinance the acquisition, construction, rehabilitation and equipping of facilities at, and improvements to, the Port. It is anticipated that the short-term Subordinate Harbor Revenue Revolving Obligations will

be refinanced in the future, subject to approval by the City Council, with long-term Harbor revenue bonds.

**Subordinate Harbor Revenue Revolving Obligations, Series A (Tax-Exempt)**

The Board intends to issue up to \$78,000,000 aggregate principal amount of tax-exempt Subordinate Harbor Revenue Revolving Obligations, Series A (Series A Subordinate Revolving Obligations), pursuant to a revolving line of credit to be provided by Bank of America, N.A.

**Subordinate Harbor Revenue Revolving Obligations, Series B (Tax-Exempt) and Series C (Taxable)**

The Board also intends to issue up to \$122,000,000 aggregate principal amount of tax-exempt Subordinate Harbor Revenue Revolving Obligations, Series B (Series B Subordinate Revolving Obligations) and taxable Subordinate Harbor Revenue Revolving Obligations, Series C (Series C Subordinate Revolving Obligations, and together with the Series B Subordinate Revolving Obligations, the Series B/C Subordinate Revolving Obligations). The Series B/C Subordinate Revolving Obligations shall be issued and/or incurred pursuant to a revolving line of credit to be provided by Union Bank, N.A.

On July 10, 2013, the City, acting on behalf of the Board, held a Tax Exempt and Fiscal Responsibility Act of 1982 (TEFRA) public hearing (July 2013 Hearing) in order to comply with the requirements of the Internal Revenue Code. The purpose of the hearing was to allow the public to voice its approval for or against the issuance of one or more series of senior and/or subordinate harbor revenue bonds, notes, certificates and other obligations (collectively, the Harbor Bonds), in an aggregate principal amount not to exceed \$1.2 billion. The Harbor Bonds are expected to be issued over the course of the next three years to provide proceeds (i) to pay or reimburse the Harbor Department for the costs of various projects, specifically the Projects; (ii) to pay a portion of the costs of issuing or insuring the Harbor Bonds; (iii) to fund capitalized interest on a portion of the Harbor Bonds; and (iv) to fund necessary reserves for the Harbor Bonds. The hearing notice was published in the Press-Telegram on June 25, 2013.

The Subordinate Harbor Revenue Revolving Obligations represent the first three series of Harbor Bonds to be issued pursuant to the July 2013 Hearing. The issuance of additional series of Harbor Bonds will be subject to future approval by the City Council.

This matter was reviewed by Assistant City Attorney Charles Parkin on June 21, 2013 and by Budget Management Officer Victoria Bell on July 25, 2013.

TIMING CONSIDERATIONS

City Council action is requested on July 16, 2013 to facilitate the Harbor Department's capital projects and improvement program.

FISCAL IMPACT

The Subordinate Harbor Revenue Revolving Obligations will be special, limited obligations of the City. The Board has pledged and assigned subordinate revenues by the Harbor Department to secure the payment of the Subordinate Harbor Revenue Revolving Obligations. These financial transactions will not have an impact on the General Fund (GP). The Harbor Department's capital projects and improvements are expected to create approximately 20,000 jobs in the five-county region over the next three years.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHN GROSS  
DIRECTOR OF FINANCIAL MANAGEMENT




AL MORO  
ACTING EXECUTIVE DIRECTOR  
PORT OF LONG BEACH

JGG:AM:DSN:LK  
K:\EXEC\COUNCIL LETTERS\TREASURY\07-16-13 CCL - HARBOR 2013 SHORT-TERM BORROWING.DOC

ATTACHMENT

APPROVED:

  
\_\_\_\_\_  
PATRICK H. WEST  
CITY MANAGER

RESOLUTION NO.

RESOLUTION OF THE CITY COUNCIL OF THE CITY  
OF LONG BEACH APPROVING THE ISSUANCE AND/OR  
INCURRENCE, FROM TIME TO TIME, BY THE BOARD OF  
HARBOR COMMISSIONERS, ON BEHALF OF THE CITY OF  
LONG BEACH, OF SUBORDINATE HARBOR REVENUE  
REVOLVING OBLIGATIONS SECURED BY SUBORDINATE  
HARBOR DEPARTMENT REVENUES IN AN AMOUNT NOT  
TO EXCEED \$200,000,000 AGGREGATE PRINCIPAL  
AMOUNT OUTSTANDING AT ANY ONE TIME TO FINANCE  
ANY LEGAL PURPOSES OF THE HARBOR DEPARTMENT  
OF THE CITY OF LONG BEACH AND CERTAIN OTHER  
MATTERS

WHEREAS, the City Charter (the "Charter") of the City of Long Beach (the  
"City") and Sections 3.52.110 through 3.52.150 of the Long Beach Municipal Code of the  
City (the "Municipal Code") provide a procedure for the issuance of revenue bonds by the  
City or by a Board of Commissioners, acting for and on behalf of the City; and

WHEREAS, pursuant to Article XII of the Charter, the City, acting by and  
through its Board of Harbor Commissioners (the "Board"), is authorized to issue, on  
behalf of the City, revenue bonds for harbor purposes; and

WHEREAS, Section 1725 of Article XVII of the Charter provides a  
procedure for the issuance of short-term revenue certificate obligations by the City or by  
a Board of Commissioners, acting for and on behalf of the City; and

WHEREAS, the Board, acting on behalf of the City pursuant to Article XII  
and Section 1725 of Article XVII of the Charter and certain sections of the Municipal  
Code, proposes to issue and/or incur, from time to time, its short-term Subordinate

1 Harbor Revenue Subordinate Obligations (the "Subordinate Harbor Revolving  
2 Obligations") in an aggregate principal amount not to exceed \$200,000,000 outstanding  
3 at any one time for the purposes of financing and refinancing capital improvements at the  
4 Port of Long Beach and for other harbor purposes, pursuant to a Master Subordinate  
5 Resolution adopted by the Board on July 15, 2013, as supplemented by a First  
6 Supplemental Subordinate Resolution adopted by the Board on July 15, 2013 and a  
7 Second Supplemental Subordinate Resolution adopted by the Board on July 15, 2013,  
8 draft forms of which are attached hereto as "Exhibit A" "Exhibit B" and "Exhibit C,"  
9 respectively, (collectively, the "Subordinate Harbor Resolutions"), and revolving credit  
10 agreements to be entered into by the City, acting by and through the Board, with Bank of  
11 America, N.A. and Union Bank, N.A., respectively (the "Revolving Credit Agreements");  
12 and

13 WHEREAS, the City, acting on behalf of the Board, held a public hearing  
14 (the "Public Hearing") on July 10, 2013 in accordance with Section 147(f) of the Internal  
15 Revenue Code of 1986, as amended, with respect to the issuance of up to \$1.2 billion in  
16 aggregate principal amount of one or more series of senior and/or subordinate harbor  
17 revenue bonds, notes, certificates and other obligations, including, but not limited to, the  
18 Subordinate Harbor Revolving Obligations, to be used to finance and refinance certain  
19 capital improvements to be located within the Harbor District of the City, including at the  
20 Port of Long Beach; and

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

23 Section 1. That the City Council, acting pursuant to Article XII and  
24 Section 1725 of Article XVII of the Charter and Sections 3.52.110 through 3.52.150 of the  
25 Municipal Code, does hereby approve the issuance and/or incurrence, from time to time,  
26 of the Subordinate Harbor Revolving Obligations in an aggregate principal amount not to  
27 exceed \$200,000,000 outstanding at any one time pursuant to the Subordinate Harbor  
28 Resolutions and the Revolving Credit Agreements.

1           Section 2.    The Subordinate Harbor Revolving Obligations shall be issued  
2 and/or incurred as special, limited obligations of the City and shall be secured by a  
3 pledge of and lien upon and shall be a charge upon and shall be payable from the  
4 subordinate revenues of the Harbor Department. The Subordinate Harbor Revolving  
5 Obligations shall not be a debt of the City, nor a legal or equitable pledge, charge, lien or  
6 encumbrance upon any of the City's property or upon any of the City's income, receipts  
7 or revenues, except the subordinate revenues of the Harbor Department. The general  
8 fund of the City shall not be liable for the payment of the Subordinate Harbor Revolving  
9 Obligations or interest thereon, nor shall the credit or the taxing power of the City be  
10 pledged therefor.

11           Section 3.   That the City Council, acting as the applicable elected  
12 representative pursuant to Section 147(f) of the Internal Revenue Code of 1986, as  
13 amended, does hereby approve, for the purposes provided for at the Public Hearing, the  
14 issuance and/or incurrence, from time to time, of City of Long Beach, California senior  
15 and/or subordinate harbor revenue bonds, notes, certificates and other obligations, in an  
16 aggregate principal amount not to exceed \$1.2 billion (which includes, but is not limited  
17 to, the Subordinate Harbor Revolving Obligations approved pursuant to Section 1  
18 above)..

19           Section 4.   The adoption of this Resolution shall not obligate the City or  
20 any department thereof to (a) provide any financing to acquire or rehabilitate the Project;  
21 (b) approve any application or request for or take any other action in connection with any  
22 planning approval, permit or other action necessary for the acquisition, rehabilitation or  
23 operation of the Project; (c) make any contribution or advance any funds whatsoever to  
24 the Authority; or (d) take any further action with respect to the Authority or its membership  
25 therein.

26           Section 5.   That the City Clerk is hereby authorized and directed to  
27 forward to the Board, without delay, a certified copy of this resolution.

28           Section 6.   This resolution shall take effect immediately upon its adoption

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

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

2 I hereby certify that the foregoing resolution was adopted by the City  
3 Council of the City of Long Beach at its meeting of \_\_\_\_\_, 2013 by the  
4 following vote:

5

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

7 \_\_\_\_\_

8 \_\_\_\_\_

9 \_\_\_\_\_

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

11 \_\_\_\_\_

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

13 \_\_\_\_\_

14 \_\_\_\_\_

15 \_\_\_\_\_

16 \_\_\_\_\_

City Clerk

17 \_\_\_\_\_

18 \_\_\_\_\_

19 \_\_\_\_\_

20 \_\_\_\_\_

21 \_\_\_\_\_

22 \_\_\_\_\_

23 \_\_\_\_\_

24 \_\_\_\_\_

25 \_\_\_\_\_

26 \_\_\_\_\_

27 \_\_\_\_\_

28 \_\_\_\_\_