



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

# R-24

333 West Ocean Boulevard 6<sup>th</sup> Floor • Long Beach, CA 90802 • (562) 570-6845 • Fax (562) 570-5836

October 5, 2010

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

Adopt the attached Resolution authorizing the City of Long Beach to issue 2010 Refunding bonds in an amount not to exceed \$35,000,000, to refund the outstanding 2002 Bonds, finance additional improvements to the Carnival Corporation's leasehold interest, and installation of a shorepower facility.  
(District 2)

## DISCUSSION

On November 20, 2002, the City issued \$32,100,000 of Taxable Revenue Bonds for the Carnival Cruise Terminal Financing (2002 Taxable Bonds), at a rate of 7.625 percent, to finance various cruise ship terminal improvements to Carnival Corporation's (Carnival) leasehold interest in the area around the Queen Mary. The improvements included cruise ship berth facilities, reconfiguration of the dome, construction of a ticketing area, and related facility improvements. These bonds were payable solely from tariff revenues generated from passenger embarkation and debarkation, and backed by Carnival's corporate guaranty. Neither the full faith and credit nor taxing authority of the City is pledged to the bond repayment. If such tariff collections were insufficient to fully pay the debt service due, Carnival unconditionally guaranteed the obligation.

In 2008, Carnival commissioned an economic study by Professors Lisa M. Grobar and Joseph P. Magaddino of California State University, Long Beach. Carnival Cruise has had a significant positive impact to the local economy, as well as the entire State. In 2006, it was estimated that Carnival contributed \$82.4 million to the California economy, with \$78.3 million of these expenditures occurring in Los Angeles County. Additionally, the cruise passengers are direct contributors of hotel taxes and are users of other entertainment options in the City.

Carnival has requested the City issue new bonds in an amount not to exceed \$35,000,000, at a potentially lower rate but at a minimum not to exceed 8 percent, to refund the outstanding 2002 Taxable Bonds, which would provide financing to enhance local travel-oriented facilities, promote tourism and related activities, and support the furtherance of the health, safety and welfare of the residents of the City. The proposed 2010 Refunding Bonds would refund \$15,870,000 of 2002 Taxable Bonds that remain

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outstanding, provide \$8,000,000 to refinance completed capital improvements, provide \$4,000,000 to finance a shorepower facility, provide \$4,000,000 to finance dock improvements, pay an issuance fee of \$100,000 to the City, and pay for cost of issuing the bonds. Carnival has also agreed to annually reimburse the City \$5,000 for bond administration costs.

The proposed 2010 Refunding Bond Conduit Debt is a limited obligation of the City payable solely from an existing Port of Long Beach (Port) tariff collected by Carnival Corporation. The tariff of \$6.33 will continue to be assessed on cruise passengers embarking and debarking from Carnival's Long Beach cruise ship terminal. Since this is a Port tariff, Carnival will continue to be permitted to collect the tariff to finance the improvements and remit it directly to the bond trustee. The tariff will be used to pay for the bond debt service and to create a capital reserve for potential future Carnival improvements. The 2010 Refunding Bonds are anticipated to be taxable and have a maturity structure of approximately 20 years. As a conduit issuer, neither the principal, nor interest, constitute a debt, liability, general or moral obligation of the City. Neither the full faith and credit, nor any taxing power of the City, is pledged to the repayment of these bonds.

The Carnival Corporation unconditionally guarantees the payment of debt service related to this financing. At any time while the bonds are outstanding, should Carnival's wharfage tariff revenue be insufficient to pay the scheduled debt service in full, Carnival is required to make up any deficiencies in the wharfage tariff-based revenues necessary to pay the debt service.

This item was reviewed by Chief Assistant City Attorney Heather A. Mahood and Budget Management Officer Victoria Bell on September 14, 2010.

#### TIMING CONSIDERATIONS

City Council action is requested on October 5, 2010 in order to facilitate processing of required documents and benefit from currently advantageous interest rates, and avoid an expected high volume of competing new bond issues towards year-end.

#### FISCAL IMPACT

There is no General Fund or City impact from this bond refunding. The financing is an obligation of Carnival Corporation, and is unconditionally guaranteed by the Corporation. The local job impact associated with the \$4,000,000 shorepower facility and \$4,000,000 dock improvements has not yet been determined, as the project bidding process is not yet closed.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



DAVID S. NAKAMOTO  
CITY TREASURER



LORI ANN FARRELL  
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

LAF:DN:mm  
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ATTACHMENT: RESOLUTION

APPROVED:



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PATRICK H. WEST  
CITY MANAGER

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 AUTHORIZING THE ISSUANCE OF  
REVENUE BONDS AND APPROVING OTHER RELATED  
DOCUMENTS AND ACTIONS RELATING TO CARNIVAL  
CRUISE TERMINAL FINANCING

WHEREAS, the City of Long Beach (the "City") is authorized pursuant to  
Division II of Chapter 3.52 of the Long Beach Municipal Code (the "Law") to issue  
revenue bonds for the purpose of financing facilities for use in connection with  
commercial enterprises; and

WHEREAS, on November 20, 2002, the City issued its City of Long Beach,  
California 2002 Taxable Revenue Bonds (Carnival Cruise Terminal Financing) in the  
initial principal amount of \$32,100,000 (the "2002 Bonds") pursuant to the Law to assist  
Carnival Corporation ("Carnival") in financing various cruise ship terminal improvements  
to Carnival's leasehold interest in the area around the RMS Queen Mary, including the  
adjacent pier and a portion of the dome (the "Carnival Leasehold Interest"), which  
improvements consisted of a cruise ship berth, reconfiguration of the dome to house, and  
the construction of, facilities for customs and immigration services and embarkation and  
debarkation of cruise ship passengers, construction of a ticketing area and related  
improvements to the Queen Mary, and construction of roadway and other appurtenant  
facilities; and

WHEREAS, Carnival has now requested that the City issue a new series of  
bonds (as further described below, the "Bonds") under the Law to refund the outstanding  
2002 Bonds and to provide financing for additional improvements of benefit to the  
Carnival Leasehold Interest, including improvements to the plaza area, dredging work  
and the installation of a shorepower facility and possible additional improvements within

1 and to the dome (collectively, the "Additional Terminal Improvements"); and

2 WHEREAS, the City desires to assist Carnival in refunding the 2002 Bonds  
3 and the financing of the Additional Terminal Improvements by issuing the Bonds, so long  
4 as the Bonds are payable solely from the net proceeds of the portion of tariff revenues  
5 arising from cruise ship passenger embarkation and debarkation from the area of the  
6 Carnival Leasehold Interest, or, if the net proceeds of such portion of the tariff revenues  
7 are insufficient to pay all of the debt service due on the Bonds, from payments by  
8 Carnival, and in any event not from the City's general fund or any other funds of the City;  
9 and

10 WHEREAS, it is proposed that the Bonds offered for sale pursuant to a  
11 Limited Offering Memorandum, a preliminary draft of which (the "Preliminary Offering  
12 Memorandum") is on file in the office of the City Attorney; and

13 WHEREAS, the firms of Bank of America Merrill Lynch and Loop Capital  
14 Markets LLC (collectively, the "Placement Agents") have proposed to find a buyer or  
15 buyers for the Bonds (the "Bond Purchasers"), which Bonds will be sold to the Bond  
16 Purchasers pursuant to a placement agreement (the "Bond Placement Agreement"), the  
17 form of which is on file in the Office of the City Attorney; and

18 WHEREAS, this City Council wishes at this time to take action (a)  
19 approving the issuance and sale of the Bonds, (b) approving and authorizing the  
20 execution and delivery by the City of an indenture of trust for the Bonds, amendments to  
21 a Tariff Collection and Assignment Agreement, as Sub-Sublease Agreement, a Sub-Sub-  
22 Sublease and a Lease Rent Escrow Agreement relating to the 2002 Bonds and the  
23 Carnival Leasehold Interest so that those agreements will apply to the Bonds  
24 (collectively, the "2010 Amendments"), and the Bond Placement Agreement, and (c)  
25 authorizing the use by the Placement Agents of the Preliminary Offering Memorandum in  
26 connection with the marketing of the Bonds; and (d) approving the distribution of a final  
27 limited offering memorandum (the "Final Offering Memorandum") to the Bond  
28 Purchasers; and

1           WHEREAS, the City Council of the City hereby finds and declares that this  
2 Resolution is being adopted pursuant to the powers granted by the Law; and

3           WHEREAS, all conditions, things and acts required to exist, to have  
4 happened and to have been performed precedent to and in the issuance of the Bonds as  
5 contemplated by this Resolution and the documents referred to herein exist, have  
6 happened and have been performed in due time, form and manner as required by the  
7 laws of the State of California and the Law;

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

10           Section 1.    The City Council hereby finds and declares that the above  
11 recitals are true and correct. The City Council hereby finds and determines that the  
12 issuance of the Bonds is in the furtherance of the public purposes of the City to assist in  
13 the improvement of travel oriented facilities, and to promote tourism and related activities,  
14 and is in furtherance of the health, safety and welfare of the residents of the City and in  
15 furtherance of the purposes of the Law. The City Council hereby further finds and  
16 determines that the Tariff Revenues and Carnival Bond Payments, as such terms are  
17 defined in the Indenture referred to below, shall not in any way be considered to be  
18 revenues pledged to the payment of any debt of the City (other than the Bonds) or its  
19 Harbor Department.

20           Section 2.   Pursuant to the Law and the Indenture (hereinafter defined),  
21 revenue bonds of the City designated as "City of Long Beach, California 2010 Taxable  
22 Revenue Bonds (Carnival Cruise Terminal Financing)" in an aggregate principal amount  
23 not to exceed \$35,000,000 (referred to in this Resolution as the "Bonds") are hereby  
24 authorized to be issued. The Bonds may be issued in one or more series, to be identified  
25 and have the terms set forth in the Indenture, as executed and delivered by the City. The  
26 Bonds shall be executed by the manual or facsimile signature of the Mayor, the City  
27 Manager, the Director of Financial Management or the Treasurer (each being a  
28 "Designated Officer" and collectively, the "Designated Officers"), the seal or facsimile of

1 the seal of the City shall be reproduced thereon and attested by the manual or facsimile  
2 signature of the City Clerk, in the form set forth in and otherwise in accordance with the  
3 Indenture.

4           Section 3.    The Indenture of Trust (the "Indenture") between the City and  
5 U.S. Bank National Association, as trustee (the "Trustee"), in the form on file with the City  
6 Attorney, is hereby approved. The Designated Officers, each acting alone, are hereby  
7 authorized and directed, for and in the name and on behalf of the City, to execute and  
8 deliver the Indenture in said form, together with such additions thereto or changes therein  
9 as are recommended or approved by the Designated Officer executing the Indenture  
10 upon consultation with the City Attorney and Bond Counsel, including such additions or  
11 changes as are necessary or advisable in accordance with Section 10 hereof, the  
12 approval of such additions or changes to be conclusively evidenced by the execution and  
13 delivery by a Designated Officer of the Indenture.

14           The date, maturity dates, interest rate or rates, interest payment dates,  
15 denominations, form, registration privileges, manner of execution, place of payment,  
16 terms of redemption and other terms of the Bonds shall be as provided in the Indenture  
17 as executed by the City.

18           Section 4.    The City Council hereby approves the refunding of the 2002  
19 Bonds with proceeds of the Bonds and other funds available for such purpose, in  
20 accordance with the provisions of the indenture of trust pursuant to which the 2002  
21 Bonds were issued and the Escrow Agreement between the City and the trustee for the  
22 2002 Bonds, as escrow bank (the "Escrow Agreement"). The City Council hereby  
23 approves the Escrow Agreement in the form on file with the City Attorney. The  
24 Designated Officers, each acting alone, are hereby authorized to execute and deliver the  
25 Escrow Agreement in said form, with such additions thereto or changes therein as are  
26 deemed necessary, desirable or appropriate by the Designated Officer executing such  
27 document upon consultation with the City Attorney and Bond Counsel, the approval of  
28 such changes to be conclusively evidenced by the execution and delivery by a

1 Designated Officer of the Escrow Agreement.

2           Section 5.    The 2010 Amendments, in the respective forms on file with  
3 the City Attorney, are hereby approved. The Designated Officers, each acting alone, are  
4 hereby authorized and directed, for and in the name and on behalf of the City, to execute  
5 and deliver the 2010 Amendments in said forms, together with such additions thereto or  
6 changes therein as are recommended or approved by the Designated Officer executing  
7 the 2010 Amendments upon consultation with the City Attorney and Bond Counsel,  
8 including such additions or changes as are necessary or advisable in accordance with  
9 Section 10 hereof, the approval of such additions or changes to be conclusively  
10 evidenced by the execution and delivery by a Designated Officer of the 2010  
11 Amendments.

12           Section 6.    The City hereby approves the Bond Placement Agreement in  
13 the form on file with the City Attorney. The Designated Officers, each acting alone, are  
14 hereby authorized and directed to execute the Bond Placement Agreement on behalf of  
15 the City in such form, together with such additions thereto or changes therein as are  
16 recommended or approved by the Designated Officer executing the Bond Placement  
17 Agreement (and which are, in any event, consistent with the requirements of the  
18 succeeding sentence), and the execution of the Bond Placement Agreement by a  
19 Designated Officer shall be conclusive evidence of the approval of any such additions or  
20 changes. The City hereby approves the placement of the Bonds by the Placement  
21 Agents pursuant to the Bond Placement Agreement, so long as the Placement Agents'  
22 fee does not exceed 1.10% of the initial principal amount of the Bonds, the net interest  
23 cost of the Bonds does not exceed 8.00%, and the initial aggregate principal amount of  
24 the Bonds is not in excess of \$35,000,000.

25           Section 7.    The City hereby authorizes the Designated Officers, each  
26 acting alone, to cause the form of the Preliminary Offering Memorandum for the Bonds to  
27 be finalized, and to deem it final within the meaning of Rule 15c2-12 of the Securities  
28 Exchange Act of 1934 (the "Rule"), as amended, except for omissions permitted under



1 the Rule. Distribution of the final Preliminary Offering Memorandum by the Placement  
2 Agents to prospective purchasers of the Bonds is hereby approved. The City hereby  
3 authorizes the distribution of the Final Offering Memorandum by the Placement Agents.

4           Section 8. The Bonds, when executed, shall be delivered to the Trustee  
5 for authentication. The Trustee is hereby requested and directed to authenticate the  
6 Bonds by executing the Trustee's certificate of authentication and registration appearing  
7 thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon the  
8 order of the Bond Purchasers in accordance with written instructions executed on behalf  
9 of the City by one of the Designated Officers, which instructions such officers, each  
10 acting alone, are hereby authorized and directed, for and in the name and on behalf of  
11 the City, to execute and deliver to the Trustee. Such instructions shall provide for the  
12 delivery of the Bonds to or upon the order of the Bond Purchasers in accordance with the  
13 Bond Placement Agreement, upon payment of the purchase price therefor.

14           Section 9. The law firm of Quint & Thimmig LLP is hereby designated as  
15 Bond Counsel ("Bond Counsel") to the City for the Bond issue. The City Attorney is  
16 hereby authorized to execute an agreement with said firm for its services related to the  
17 Bonds, in a form acceptable to the City Attorney. Any and all compensation to such firm  
18 under said agreement shall be payable solely from the proceeds of the Bonds.

19           Section 10. All actions heretofore taken by the officers and agents of the  
20 City with respect to the sale and issuance of the Bonds are hereby approved, confirmed  
21 and ratified, and the proper officers of the City, including the Designated Officers, are  
22 hereby authorized and directed, for and in the name and on behalf of the City, to do any  
23 and all things and take any and all actions and execute and deliver any and all  
24 certificates, agreements and other documents which they, or any of them, may deem  
25 necessary or advisable in order to consummate the lawful issuance and delivery of the  
26 Bonds and the redemption of the 2002 Bonds in accordance with this Resolution,  
27 including but not limited to those certificates, agreements and other documents described  
28 in the Indenture, the 2010 Amendments, the Bond Placement Agreement and the Escrow

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

1 Agreement, and any certificates, agreements or documents as may be necessary to  
2 further the purposes hereof, but which shall not create any obligation or liability of the City  
3 other than with respect to the revenues and assets derived from the proceeds of the  
4 Bonds, the net proceeds of the wharfage portion of the tariff revenues collected and  
5 remitted to the Trustee under the terms of the Collection Agreement (as defined in the  
6 Indenture), and any payments made by Carnival under the Collection Agreement or the  
7 Guaranty Agreement (as defined in the Indenture).

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

10 I hereby certify that the foregoing resolution was adopted by the City  
11 Council of the City of Long Beach at its meeting of \_\_\_\_\_, 2010, by the  
12 following vote:

13  
14 Ayes: Councilmembers: \_\_\_\_\_  
15 \_\_\_\_\_  
16 \_\_\_\_\_  
17 \_\_\_\_\_

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

20 Absent: Councilmembers: \_\_\_\_\_  
21 \_\_\_\_\_

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City Clerk

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