



Legislation Text

File #: 22-0562, **Version:** 1

Recommendation to adopt resolution authorizing the issuance and sale of not to exceed \$130,000,000 in aggregate principal amount of Senior Airport Revenue Refunding Bonds Series 2022A and B and Senior Airport Revenue Bonds Series 2022C, secured by and payable solely from Airport Department revenues, and authorize City Manager, or designee, to execute all necessary documents in connection therewith; and

Increase appropriations in the Airport Fund Group in the Airport Department by \$30,212,088 funded by proceeds from the issuance of the Series 2022C Bonds and Airport Department funds available for Phase II Terminal Area Improvements at the Long Beach Airport. (Districts 4,5)

On November 3, 2009 and October 19, 2010, the City Council approved the issuance of \$65 million Senior Airport Revenue Bonds Series 2009 and \$70 million Senior Airport Revenue Bonds Series 2010, respectively. Those bonds were issued to finance the Airport's parking structure and Phase I of the Terminal Area Improvements, among other projects and expenses, and the Airport has been paying principal and interest timely ever since from Airport revenues, albeit in the last three years with financial assistance from the federal grants awarded to the Airport from the Coronavirus Aid, Relief, and Economic Security Act (CARES) and the American Rescue Plan Act (ARPA).

On February 11, 2020, the City Council authorized an amendment to the design-build contract with Swinerton Builders, for the construction of the Phase II Terminal Area Improvements, and provided appropriations to construct the first three components of the Phase II program. Those components included the Checked Baggage Inspection System (CBIS), Baggage Claim Area Improvements, and a new Ticketing Facility. The City Council also expressed its intent to issue Airport revenue bonds to finance a portion of the construction costs for Phase II Terminal Area Improvements and fund a debt service reserve fund, and costs of issuance. The 2020 plan to issue refunding bonds and the new money component was put on hold due to the adverse financial impacts of the COVID-19 pandemic on the Airport and the aviation industry. In the two years since, the Airport's financial position has improved, and debt service savings still exist for bond refunding.

City staff recommends issuing the Senior Airport Revenue Refunding Bonds Series 2022A and B, and the Senior Airport Revenue Bonds Series 2022C, in an aggregate principal amount not to exceed \$130,000,000. Proceeds from the issuance of the Series 2022A and B Bonds will refund the outstanding Airport Revenue Bonds, Series 2009C and 2010A and B, respectively. Proceeds of the Series 2022C Bonds will be used to finance \$30 million of a portion of the Phase II Terminal Area Improvements costs. The bond financing team

estimates that the Series 2022A, B, and C Bonds combined will have: (1) a true interest cost of 4.37 percent if interest rates on the date of sale in June 2022 are the same as they were on April 19, 2022 (with a 50 basis point, or 0.5 percent, cushion), (2) finance charges of \$1,218,318, (3) escrow/project fund/debt service reserve fund deposits in the amount of \$131.8 million; and, (4) total debt service (both principal and interest) of \$194.5 million over the life of the bonds, under the same interest rate assumption.

The Phase II Terminal Area Improvements focus on enhancing pre-security infrastructure at the Airport. Projects include a new airline ticketing facility, a checked-bag inspection system facility, a consolidated bag claim area, rental car counters, terminal renovations and improvements to the adjacent plaza. The new money component - the Series 2022C Bonds - will fund a portion of Phase II Terminal Area Improvements.

This matter was reviewed by Principal Deputy City Attorney Richard F. Anthony on April 26, 2022 and by Budget Analysis Officer Greg Sorensen on April 29, 2022.

City Council approval is requested on May 17, 2022, to achieve debt service savings on the outstanding bonds and to facilitate the completion of Phase II Terminal Area Improvements.

The Series 2022A, B, and C Bonds will be secured by, and payable solely from, revenues generated from the Long Beach Airport. It is anticipated that the refunding portion - the Series 2022A and B Bonds - will generate approximately \$6.6 million in net present value debt service savings over the life of the bonds compared to the Series 2009C and 2010A/B Bonds they replace - again assuming April 19, 2022 interest rates with a 50 basis point cushion. The debt service savings from the refunded bonds and the new proceeds will be used to pay for a portion of the construction costs of the Phase II Terminal Area Improvements in an amount up to \$30 million. The Series 2022A and B Bonds will have the same maturity dates (2039 and 2040, respectively) as the Series 2009C and 2010A/B Bonds they replace. The proceeds from the new Series 2022C Bonds will be issued with a 25-year term, consistent with the useful lives of the assets being financed. Therefore, the Series 2022C Bonds will mature in 2047. Combined, all three of the Series 2022 Bonds (A, B, and C) will have an average annual debt service payment of approximately \$8.9 million through 2039, decreasing to \$5.4 million annually through final maturity in 2047 - once again assuming April 19, 2022 interest rates with a 50 basis point cushion. Since the annual debt service payments for the new Series 2022A and B Bonds will be lower than the existing debt service payments on the Series 2009C and 2010A/B Bonds, there is sufficient appropriation in the Airport Fund Group in the Airport Department for the new debt service payments. Only the Airport Fund will be liable for the debt service payments.

An appropriation request of \$30,212,088 in the Airport Fund Group in the Airport Department for the Phase II Terminal Area Improvements is requested, funded by the proceeds of the new Series 2022C Bonds and Airport funds available. This appropriation will allow the Airport to proceed with constructing remaining components under the design-build contract with Swinerton Builders. Project components will not proceed until funding is secured. This

recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. It is anticipated that this recommendation will have a positive impact on local jobs as it provides construction opportunities (although the exact number is unknown at this time).

Approve recommendation.

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APPROVED:

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