

**CITY OF LONG BEACH
MINUTES OF THE SPECIAL MEETING
OF THE COMMON COUNCIL
HELD APRIL 13, 2021**

A special meeting of the City Council of the City of Long Beach was held on Tuesday, April 13th, 2021.

Present were Council President Bendo and Council Members Delury, Mandel, McInnis and Treston.

Deputy Corporation Counsel Richard Berrios and City Manager Donna Gayden were also present.

Because of the COVID-19 pandemic, public attendance was suspended for this meeting. The following notice was posted prior to the meeting:

In light of current health concerns and as per Gov. Cuomo's Executive Order 202.1 we are making the following changes for this Council Meeting:

- **Public attendance for this meeting will be suspended.** A live Stream of the meeting will be available on our YouTube channel. Please visit [longbeachny.gov/councilmeetings](https://www.longbeachny.gov/councilmeetings) for the link to our YouTube channel.
- Anyone wishing to directly participate in the meeting was provided with a link to the Zoom meeting

Council President Bendo acknowledged the elected officials that were in attendance. He also recognized City Manager Donna M. Gayden's hard work and efforts taken to move the city forward in a fiscally responsible direction.

The City Manager spoke about how the city was approximately \$500 million in debt and the liabilities that must be paid. She also mentioned the two firms that were on the agenda who would be assisting and guiding the city through this important process.

Ms. Gayden then introduced Mr. Mohsin Meghji of M3 Partners, LP.

Mr. Meghji gave a description and background of the firm and how they had worked on various restructurings from a financial stand-point.

The City Manager then introduced Ms. Maria DiConza of O'Melveny and Meyers.

Ms. DiConza described her law firm and explained the restructuring process and the guidance they provide to municipalities on how to look at their liabilities and their assets and determine the best way to ensure they are paying their debts as they come due with viability and sustainability.

Mr. John Rapisardi of O'Melveny and Myers introduced himself as the Chairperson of the restructuring group. He also spoke about the experience this group brings to the City and its ability in minimizing the time necessary to achieve a financial restructuring in the most efficient way possible.

Ms. DiConza gave some examples of options and paths on the best way to proceed with this restructuring.

Ms. Gayden then introduced Senator Todd Kaminsky to speak.

Senator Kaminsky wanted the residents to know that the state had an important role to play to ensure that Long Beach had the funds to hire these firms who have the expertise in guiding it along in handling this massive debt. He noted that he hoped that once the state financial restructuring board meets in the Spring, they would authorize the funds necessary to retain these firms.

The City Manager noted that the city was not cutting services of any kind or having layoffs. She stated that this was about looking at long-term liabilities.

Assemblywoman, Melissa Miller noted that she would like to hear more about the presentation but stated that she would do what she could to support and help protect the residents through this process.

Congresswoman, Kathleen Rice stated that she would do everything possible to help the city and was looking forward to hearing from the two consultants and what their plan was to help Long Beach move forward.

Mr. Meghji of M3 Partners gave a brief description of what the presentation would be about and then introduced John Rapisardi of O'Melveny & Meyers.

Mr. Rapisardi explained that the purpose of this process was to achieve consensus and to go over the various options available while being creative and coming up with solutions to help the city adjust this debt to make it affordable for the city to carry over the long term.

Ms. DiConza pointed out that although many of the city's liabilities are things that have to be paid and are able to be paid over-time, the magnitude impacts the annual budget and without a holistic solution to address the long-term liabilities, the city will end up in a situation where it will have a more difficult time addressing the short-term liabilities. She added that this is the correct step for the city to take and look at these long-term liabilities and to come up with a plan to address them.

Ms. Gayden noted that the audit for 2019 was up on the website should anyone like to see it. She added that it shows what the city has as long-term liabilities as of today and that there was a possibility that the amount could increase if there were any long-term liabilities that the city was not aware of at the time. The City Manager also encouraged the audience to go back and look at the audits and noted that the liabilities had always been in the audits, and when the new audit comes out, it would include the entire liability section.

Mr. Meghji added that he expected the City of Long Beach to continue to thrive as a result of this process and that they were building on the progress that the City Manager and the City Comptroller have made in terms of improvement of the annual operating budget that they balanced over the past 18 months or so. He continued to say that this was an exercise that was focused on ensuring that all the long-term liabilities are dealt with responsibly, contractually, and consensually with the counterparts that would put the city in a position where it can continue to

invest in its operating projects and provide an excellent lifestyle in a financially, responsible manner.

Mr. Rapisardi brought up the fact that this process sends a signal to the capital markets and shows that the city has a plan by bringing on professional advisors to address how to deal with these liabilities going forward, which would allow the city to have access to investment dollars coming in.

Mr. Meghji added that bankruptcy was not the focus, and this was about dealing with long-term liabilities in a responsible manner which allows the city to continue its services.

The City Manager concluded that in 2019, the city was rated number one as the most fiscally stressed city in the state with a marking of 85, and unfortunately the city was still number one but has dropped down from 85 to 77 which indicates that the city is working hard to move in the right direction.

Council President Bendo pointed out that in the four months that the City Manager had been here, the number had dropped by 10%, and that a few days ago, the city's debt was actually \$600 million dollars, and because the iStar lawsuit was settled at no cost to the taxpayers, it was reduced by \$100 million dollars of the potential debt.

Ms. Gayden thanked President Bendo and noted that she works with a team of people and would share his comment.

Assemblywoman Melissa Miller asked how restructuring this enormous debt would affect the functioning of the city and if taxes would be raised.

Ms. DiConza replied that it would depend on what the revenues of the city were, but the goal was not to make this a burden on the taxpayers.

Mr. Rapisardi added that the focus would be on debt modification, debt adjustment and how it could be achieved in a consensual way. He hoped to convince the various constituents holding these pieces of debt to engage and come to an agreement as to a modification or adjustment of that debt which would allow the city to carry the debt going forward in a sustainable and affordable way.

Legislator, Denise Ford asked if there was a time limit attached to this process.

Ms. DiConza replied that they were hoping to move quickly and to have some analysis for the city in the short term.

Ms. Ford also asked if they would look back at past practices that the city had participated in to see how the city got to this point.

Ms. DiConza replied that it was important to know how the city got to this point to hopefully avoid this again, and the analysis would involve more of a "go forward" approach but they did need to understand what inputs were made that caused the city to end up in this situation.

Legislator Ford also asked about the funds that Senator Kaminsky spoke about that could help pay for this service.

The City Manager replied that she had been in touch with the financial restructuring board and since she has been here, had spoken with the state to see how they could assist the city.

Ms. Ford added that she hoped that these firms could look at other funding sources as well to help alleviate some of this debt.

Mr. Meghji replied that they would look at all other potential sources of funding and financing that could help.

President Bendo asked the audience to reach out to the City with any questions they might have and to be skeptical about what they read on social media.

The calendar items were read by the City Clerk

Ed Note: Items were called out of order. Items 2 and 3 were called first, followed by item 1.

#1 – Resolution Authorizing the Settlement of the Offset Issues in the Haberman Litigation

Deputy Corporation Counsel, Mr. Rich Berrios explained the reason for this resolution and the settlement of the Offset Issues at a cost of \$20.5 million dollars.

Roy Lester (72 Boyd St) – asked how this would affect the interest that was already accrued.

Mr. Berrios replied that it takes off \$20.5 million of the final judgement regardless of what the final judgement was and then legal procedures would have to follow from there.

Kevin Heller – asked when the offset agreement was reached.

Mr. Berrios replied that it was a matter of days.

#2 – Resolution Authorizing the Retention of M3 Partners, LP.

Ms. Gayden noted that there was a section on the website called “transparency” and that all contracts would be posted there. She also stated that within the next couple of days, the contract that would be approved tonight would be placed in the transparency portal for the public to view.

Kevin Heller – asked why this item was brought to a special city council meeting since a regular city council meeting was held a week ago. He asked why it couldn't have been brought to a regular scheduled meeting.

The City Manager replied that the main reason was because of the depth of the information and felt it needed as much attention as possible. She also noted that a special meeting could be called at any time and that not everything had to go to a regular council meeting.

Mr. Heller also noted that M3 Partners specialized in financial restructuring including bankruptcy and asked if the city qualified for bankruptcy under municipal law.

Mr. Rapisardi replied that the city did qualify.

A lengthy discussion ensued regarding this topic with responses from the City Manager and the firms M3 Partners and O'Melveny & Meyers.

Roy Lester (72 Boyd St) – asked about CMA and if it was a duplicative in what the city was paying for these firms.

Ms. Gayden explained that CMA was working with the city and were part of the group that helps cut back some of the expenses and were picking up some of the work.

John Ashmead – noted that over the years, there had been misrepresentations about the true financial condition of the city and wished everyone luck. He expressed his thought that the city should move as quickly as it could to try and figure things out.

Kathleen O’Leary – asked about the timeframe regarding the \$1.5-million-dollar retainer for the firms and how long it was good for. She expressed concern that there was no real commitment from the state or the federal government in paying for this service. Ms. O’Leary also asked about clawing back some of the separation overpayments made over the past 30 years and paying attention to ways of bringing more money into the city.

#3 – Resolution Authorizing the Retention of Outside Counsel

Kevin Heller – asked about the cost to retain O’Melveny and Meyers. He asked about the Haberman lawsuit and the filing of a potential Chapter 9.

The City Manager replied that the cost for both firms would be \$1.5 million dollars.

Mr. Rapisardi noted that all filing requirements would be made if and when necessary.

Mr. Heller also asked if part of the analysis and process would include re-negotiating collective bargaining agreements with unionized employees.

Mr. Rapisardi replied that they would be taking a holistic approach and would be looking at all obligations and modifications and they were in the beginning stages of the process. He added that when they finish reviewing everything, they would go public with their recommendations.

Kathleen O’Leary – asked what the hourly rate would be if these firms would have to go to court on behalf of the city.

Mr. Rapisardi replied that there was a capital limitation on their fees. He also noted that there was a time limit on the firm’s retention of three months and there was no separate charge if they had to litigate.

The voting portion of the meeting was then begun.

Council Pres. Bendo introduced and moved the adoption of the following resolution, seconded by Ms. Treston, and it was duly adopted, all five council members present voting in the affirmative.

(RES. #63/21)

Resolution Authorizing the Settlement of the Offset Issues in the Haberman Litigation

Council Member Delury introduced and moved the adoption of the following resolution, seconded by Pres. Bendo, and it was duly adopted, all five council members present voting in the affirmative.

(RES. #64/21)

Resolution Authorizing the Retention of M3 Partners, LP.

Council Member Treston introduced and moved the adoption of the following resolution, seconded by Ms. McInnis, and it was duly adopted, all five council members present voting in the affirmative.

(RES. #65/21)

Resolution Authorizing the Retention of Outside Counsel

There being no further business before the Council, Council Member Treston made a motion to close the meeting. It was seconded by Ms. McInnis and was duly closed, all five council members present voting in the affirmative.

Dated: April 13, 2021

David W. Fraser
City Clerk