

Background/Supporting Information Attached

In early 2003, the City conducted a formal request for proposal process to select a liquidity provider to replace Hypovereins Bank due to a loss of their short term credit rating. In July 2003, the City selected Dexia Credit Local and entered into agreements whereby Dexia would provide liquidity facilities for all of the City's \$146.64 million of outstanding variable rate bonds. The agreements, which are called standby bond purchase agreements, at the time of the initial setup were established for a term of three years ending July 20, 2006 at a rate of 16 basis points per year. A basis point is equal to 1/100 of a percent.

After several additional bond transactions were added, Dexia granted an extension of all facilities to July 20, 2007. Currently, the amount of outstanding variable rate debt is at \$256.52 million. With liquidity coverage on this outstanding amount and a required provision for interest coverage, the fees at the current 16 basis point rate amount to \$420,777 annually.

Recently, the City began researching current market rates for liquidity facilities in regard to reviewing our current agreements and extension provisions and found that the market had become more competitive with regard to rates. After discussing the situation and negotiating with Dexia, they agreed to offer the City a seven year agreement at 10.5 basis points per year starting October 31, 2005. This new agreement will result in an initial annual savings of over \$145,000 per year and substantial additional savings over the life of the new agreements.

As part of reviewing our agreements, we also discovered a term in Section 10.10 of the agreements that incorrectly indicated that "the term of the Agreement shall be in effect until the later of (x) the last day of the commitment period, (y) the Maturity Date and (z) the payment in full of the principal of and interest on all Bank Bonds and all other amounts due hereunder." The "Maturity Date" of the bonds was never intended to be included by either party and is being removed as a correcting amendment as part of the new seven year agreements. The commitment period is the seven year period from October 31, 2005 to October 31, 2012.

The Finance department requests the City Council's approval of a resolution accepting the First Amendments to the Standby Bond Purchase Agreements, dated October 31, 2005 and allowing the Finance Officer to take the necessary actions to approve the amendments to these existing contracts with Dexia Credit Local.