



Staff Report

City of Manhattan Beach

TO: Honorable Mayor Powell and Members of the City Council

THROUGH:  David N. Carmany, City Manager

FROM: Bruce Moe, Finance Director 

DATE: May 15, 2012

SUBJECT: Extension of Existing Letters of Credit with Bank of America N.A. from July 1, 2012 to September 1, 2012 for the Marine Avenue Sports Fields and South Bay Regional Public Communications Authority Variable Rate Debt Instruments

RECOMMENDATION:

Staff recommends that the City Council authorize the City Manager to transmit a written request to seek a sixty-day extension of the existing letters of credit with Bank of America N.A. at the existing terms for the Marine Avenue Sports Fields and South Bay Regional Public Communications Authority variable rate debt instruments.

FISCAL IMPLICATION:

The annual cost of the direct pay letters of credit (LC's) supporting the 2002 Marine Avenue Variable Rate debt and the South Bay Regional Public Communications Authority debt is based upon the outstanding principal (Marine Avenue is ~\$7.48 million, RCC is ~\$1.45 million). Combined, the LC's cost the City \$89,300 annually. Extending the LC's for two months at the same terms does not increase existing costs, but results in a continuation of those fees of \$7,440 per month.

DISCUSSION:

For the past several years, the City has maintained direct pay letters of credit from Bank of America in support of the 2002 Marine Avenue Certificates of Participation (COPS) and the 2001 South Bay Regional Public Communications Authority Series C variable rate COP's. Both LC's expire on July 1, 2012, and Bank of America has indicated that they will not be renewing them due to lack of a broader-based banking relationship with the City. However, Bank of America has agreed to extend the existing LC's for two months (until September 1, 2012) to allow the City adequate opportunity to analyze the options for replacing the letters of credit.

For both the Marine Avenue Sports Fields and South Bay Regional Communications Authority debt, the direct pay letter of credit is the credit facility that provides liquidity for the monthly interest expense payments and bi-annual principal payments. Draws are made to the LC's each month and are reimbursed by the City. This is the key component of the variable rate debt instruments.

This extension, if approved, will result in a new expiration date of September 1, 2012. This will allow staff sufficient time to analyze alternatives, including obtaining replacement LC's. Once the analysis is completed, staff will return to the City Council for further review and action in support of these debt issues.

The documentation of the extension will be in the form of a written request from the City, to Bank of America, to extend the Letters of Credit and a Notice to the Trustee from Bank of America. No other contracts or documents will need to be executed.