Agenda Item #. 6F-2

## PALM BEACH COUNTY BOARD OF COUNTY COMMISSIONERS AGENDA ITEM SUMMARY

Meeting Date:	Aug. 19, 2008		Consent		Regular
		[]	Ordinance		Public Hearing
Department:	partment: Office of Financial Management & Budget				

## I. Executive Brief

Motion and Title: Staff recommends motion to:

- A) Adopt a Resolution authorizing the County to obtain a revolving line of credit in the principal amount of \$22,568,948 to support the issuance of standby letters of credit to satisfy the debt service reserve funding requirements for four of the County's outstanding bonds issues; approving the form of and authorizing the execution of a Loan Agreement with SunTrust Bank, South Florida (the "Bank"); and providing for an effective date.
- **B)** Authorize OFMB to prepare a budget transfer of \$48,000 from the General Fund contingency to provide funding for the line and letters of credit, to amend the above-referenced four debt service funds (\$35,000), and to adjust seven other debt service funds (\$13,000) for letters of credit previously approved by the Board.

Summary: Four series of the County's outstanding bonds issued between 1994 and 2006 have debt service reserve funds that are funded by debt service reserve surety policies issued by a municipal bond insurance company that has had its AAA credit rating downgraded below a level specified in the bond resolutions. County's financial advisor have determined that replacing the sureties with letters of credit from a AA rated bank is the most cost efficient way to satisfy the debt service reserve requirement. The term of the above line and letters of credit is one year subject to renewal by the County and acceptance by the Bank. The County anticipates renewing the above letters of credit or replacing them in accordance with the bond resolutions. If the ratings of the municipal bond insurers are restored, the County will terminate the letters of credit. The fees are payable quarterly and will be approximately \$102,000 for FY 2009. The fees, including cost of issuance, for FY 2008 in the amount of \$35,000 will be paid from General Fund Contingency. Staff will propose an amendment to the FY 2009 budget at the first public hearing for the annual fees. Additionally, staff requests the authority to make minor adjustments totaling approximately \$13,000 in seven debt service funds for letters of credit approved on May 22, 2008 as a result of banks billing for the short quarter ending June 30, 2008. Countywide (PFK)

**Background and Justification:** The terms of the Bond Resolutions allow the County to replace the insurer providing the debt service reserve surety with another insurer that has a AAA rating, a AA rated bank or with cash. We have analyzed each alternative and determined that the lines of credit are the most cost effective. The County does not anticipate that any draws on the letters of credit will occur. The County will use non-ad valorem revenues to fund the letter of credit fees.

## Attachments:

1. Bond Resolution (On File in OFMB)

Recommended by:	Cliquid Blush Department Director	8/15/08 Date	
Approved By:	County Administrator	7/(3/Q) Date	_

## II. FISCAL IMPACT ANALYSIS

A. FIV	ve rear Summary or	riscai impac	T.				
	Fiscal Years	2008	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	
Capital Expenditures Operating Costs Debt Service Costs External Revenues Program Income (County) In-Kind Match (County) NET FISCAL IMPACT		\$48,000 \$48,000	\$102,000 \$102,000				
	ADDITIONAL FTE TIONS (Cumulative)				B-1-		
Budge	n Included In Curren et Account No.: I et Repo	Fund	Departme	No <u>X</u> ent	Unit		
В.	Recommended Sou	rces of Fund	s/Summary	of Fiscal Ir	npact:		
The F	Y 2008 charges of \$4 or FY 2009 will be incl	8,000 will be f uded in the pr	unded from oposed bud	General Fur get.	nd Conting	ency. The	
C.	Departmental Fisca	l Review:					
		III. <u>REVIE</u>	W COMME	NTS			
A.	OFMB Fiscal and/or Contract Dev. and Control Comments:						
	John A:	lay spi	Contr	N/A act Dev. an	d Control	·	
B.	Legal Sufficiency:						
	Maureum C Assistant County A						
C.	Other Department R	deview:					
	Department D	Director					

REVISED 9/03 ADM FORM 01 (THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT.)