

*Airport Revenue Bonds
Continuation of Collateralized
Investment Agreements*

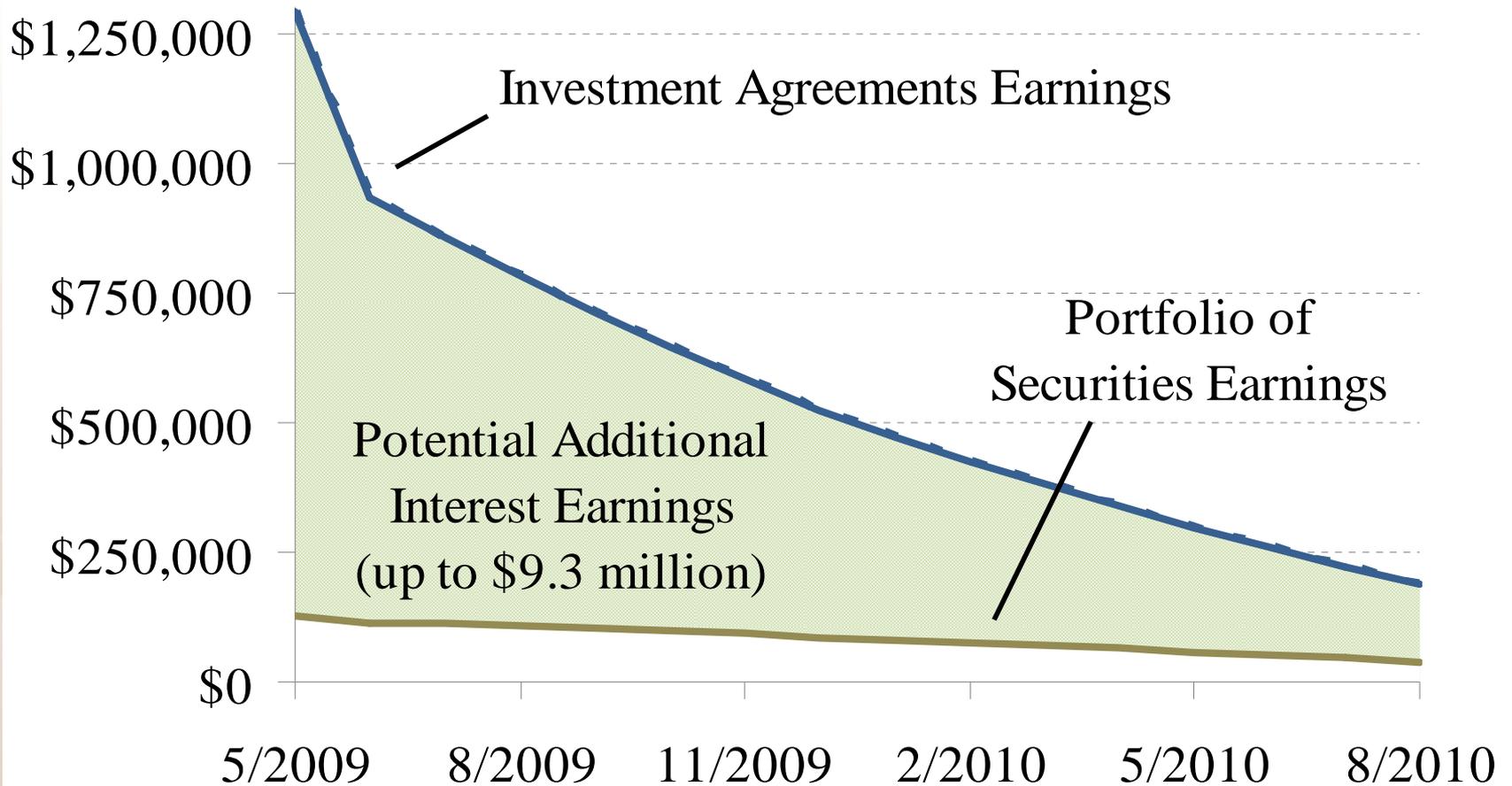
May 5, 2009

Item #3.5

Overview

- In September 2007, the City issued \$725 million of Airport Revenue Bonds
- The City invested \$660 million of the bond proceeds in collateralized investment agreements with Citigroup Global Markets Inc. (CGMI)
 - The Agreements provide a guaranteed rate of return of 4.5%,
 - Guaranteed rate significantly above current market rates
 - Collateralized with U.S. Treasury & Federal Agency Securities
 - Balance as of May 5, 2009 is \$380 million
- CGMI's ratings have fallen below the minimum level allowed under the Airport Bonds Master Trust Agreement
- Staff recommends Council action to modify Master Trust Agreement to allow the City to retain the Investment Agreements

Potential Benefit to the City



Risk of Retaining the CGMI Agreements

- If CGMI becomes bankrupt, the City would not have access to the funds in the investment agreements for a period estimated to range from two to six months
- If an alternative source of funding were not available, Investment Pool's earnings would be reduced by \$2,700 per month for each \$1 million of unreimbursed expenditures

Risk Mitigation Strategies

- Monitor Investment Agreements' collateral valuation and Federal government activity
- Withdraw funds from the Investment Agreements
- If CGMI files for bankruptcy:
 - Issue Airport commercial paper notes
 - Establish interfund loans to the Airport capital funds

Process to Implement Staff's Recommendation to Retain Investment Agreements

- Council approves continuation of Investment Agreements and authorizes the Director of Finance to negotiate and execute amendment to the Master Trust Agreement and any necessary documents
- Staff obtains consents of Bond Insurers and completes amendment process
- Staff continues to monitor Investment Agreements' collateral valuation and government activities related to Citigroup and financial markets