



August 2, 2011

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a First Amendment to the International Swap Dealers Association (ISDA) Master Agreement between the City and Merrill Lynch Commodities, Inc. (MLCI), to limit liability to the Gas Revenue Fund for natural gas purchase, sale, and financial transactions. (Citywide)

DISCUSSION

On September 23, 2008, the City Council authorized the City Manager to execute a long-term ISDA Master Agreement (No. 30897) between the City and MLCI. The proposed First Amendment to the ISDA Master Agreement seeks to appropriately limit the obligations of transactions made under the ISDA Master Agreement to the Gas Revenue Fund, which was created by Article XV, Section 1501 of the Long Beach City Charter as a separate special fund account. The City has accepted similar provisions in other recent gas transaction agreements. Since only customers of Long Beach Gas and Oil benefit from the natural gas transactions entered into under the ISDA Agreement, it is reasonable and desirable to limit the liability for these transactions to the Gas Revenue Fund versus the City as a whole.

This matter was reviewed by Deputy City Attorney Richard Anthony on July 6, 2011, and by Budget Management Officer Victoria Bell on July 7, 2011.

TIMING CONSIDERATIONS

The existing ISDA Master Agreement has no end date, but either party may terminate the agreement at any time by providing at least thirty days prior written notice to the other party. Additional natural gas transactions with MLCI under the existing ISDA Master Agreement have been suspended pending approval of the proposed First Amendment. City Council action is requested on August 2, 2011, to restore the options available for natural gas transactions that benefit and protect the City's natural gas customers.

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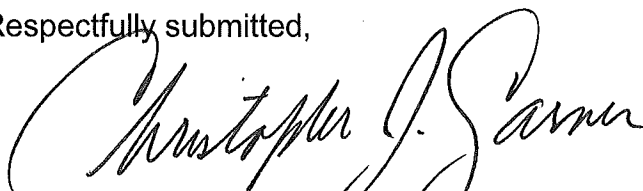
FISCAL IMPACT

The First Amendment to the ISDA Master Agreement itself does not have any financial impact to the City. Modest net savings to the Gas Fund are expected for transactions performed under the Agreement, but the extent of the impact is unknown as it is dependent upon the timing, volumes of gas, and size of discounts offered and purchased relative to other options. Actual savings will vary based on the conditions in the natural gas commodity market. The requested action will not have an impact on jobs.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS & OIL

CJG:dgs

APPROVED:



PATRICK H. WEST
CITY MANAGER