

MINUTES OF THE SPECIAL CITY COUNCIL MEETING OF
THE CITY OF VERNON HELD TUESDAY, JANUARY 19,
2010, AT 9:00 A.M. IN THE COUNCIL CHAMBERS
OF THE CITY HALL LOCATED AT 4305 SANTA FE
AVENUE, VERNON, CALIFORNIA

MEMBERS PRESENT: Gonzales, McCormick, Davis, Maisano, Newmire

MEMBERS ABSENT: None

The meeting was called to order by Mayor Gonzales.

The Chief Deputy City Attorney announced that there were no changes to the agenda.

The Chief Deputy City Attorney announced that this was time for public comments.

Mayor Gonzales asked if there was anyone in the audience who wished to address the City Council.

There was no one in the audience who wished to address the City Council at this time.

Request for authority to terminate the CitiGroup and Morgan Stanley Interest Rate Swaps, was presented.

City Administrator Donal O'Callaghan reported on the financial impact that the CitiGroup and Morgan Stanley Interest Rate Swaps represent to the City of Vernon under the current financial market; the carry costs that the City is enduring due to the fluctuating financial market; and his desire to terminate the Interest Rate Swaps, with the guidance of the City's financial advisors, at the time that it would be most appropriate and cost effective for the City, which could be in a few days or weeks.

He also advised that the termination of the Interest Rate Swaps was necessary in order to reduce the City's financial liability and to maintain its current AA Credit Rating, which would be indispensable in the future as the City moves forward with the development of other projects.

Mr. O'Callaghan asked that Mr. Eric Fresch, one of the City's financial advisors, comment on this matter.

Mr. Eric Fresch explained that the Interest Rate Swaps were meant to work under a normal market. He also expressed his agreement with the City Administrator to terminate the Interest Rate Swaps under the current financial market to free the City from said liability and concentrate resources on other projects.

Mr. Fresch reported that the only reason the City of Vernon should keep the Interest Rate Swaps would be if the City believed that the interest rates were about to go up, which he and other financial advisors do not foresee happening in the near future.

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Mr. Fresch further reported on the City of Los Angeles Department of Water & Power and its attempt to rebuild its utility system by placing various large projects aside.

The Mayor asked if there were any questions on this matter.

There were no more questions.

It was moved by McCormick, seconded by Newmire, that authority be granted to the City Administrator to terminate the CitiGroup and Morgan Stanley Interest Rate Swaps, with the guidance of the City's financial advisors, at the time he deems most appropriate. Motion carried. 5-0

The City Administrator thanked the City Council for their support and also reported that he is working with Orrick and Bond Logistics on the commodity swaps and that a City resolution on that matter would come forth for their consideration at an upcoming meeting.

Update of the Purchase and Sale Agreement of the Red Rock Wind Project, was provided.

The City Administrator reported that he had been negotiating with two parties regarding the price of the sale/purchase of 1/3 of the land in Tehachapi, which is approximately 12 acres of the total purchased land by the City.

He advised that he anticipates that the selection of the bidder and recommendation to the City Council to sell the land would come forth the week of January 25th and on the transaction would be closing in early February.

Mayor Gonzales asked if the City of Los Angeles would try to go after the recent land acquisition of the City of Vernon in Tehachapi.

The City Administrator responded that the City of Los Angeles is concentrating on its own challenges just like the City of Vernon is concentrating on the development of its own renewable energy.

Mayor Gonzales advised that San Diego has raised the cost on solar panels.

The City Administrator advised that all renewable energy is very expensive. He also advised that the City is working diligently to comply with the State mandates on renewable energy at a cost effective margin for the City.

Councilman Newmire asked how come the City does not apply for a smaller power plant similar to the size of the one the City already has.

The City Administrator responded that the intent of having a large power plant was to assist the region with energy but due to the large opposition on that project that the City would look into the possibility of the construction of a power plant based on a projected load increase of the City rather than to serve the region.

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Mayor Gonzales asked if there were any questions.

There were no questions.

There being no further business to come before the City Council at this time, it was moved by McCormick, seconded by Davis, that the meeting be adjourned, the time being 9:41 a.m. Motion carried. 5-0

Hilario Gonzales, Mayor

ATTEST:

Manuela Giron, City Clerk