

AGENDA



Recommendation for Council Action

Austin City Council - Commissioner's Court Meeting	Item ID	34771	Agenda Number	76.
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Meeting Date:	8/28/2014	Department:	Treasury
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Subject

Approve an ordinance authorizing a Letter of Credit Reimbursement Agreement between the City and Citibank, N.A. related to the City's Combined Utility Systems Taxable Commercial Paper Notes, and approving and authorizing all related documents, agreements, and fees.

Amount and Source of Funding

Funding in the amount of \$342,000 anticipated for the Letter of Credit fee and one-time costs of issuance was included in the Fiscal Year 2014-2015 Proposed Operating Budget of Austin Energy.

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

Purchasing Language:	
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Prior Council Action:	On May 13, 1998 Council approved the establishment of a \$60 million taxable Commercial Paper program and the related Letter of Credit with Landesbank Hessen-Thüringen Girozentrale (the "Bank"). On June 29, 2000, Council approved an increase in the taxable program from \$60 million to \$160 million and the related increase in the Letter of Credit with the Bank. The Letter of Credit was reduced from \$160 million to \$50 million on April 1, 2003. On August 28, 2003, September 30, 2004, and June 23, 2005 the Council approved extensions to the Letter of Credit Reimbursement Agreement between the City of Austin and the Bank. On June 23, 2011 Council approved a new Letter of Credit between the City and JPMorgan.
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For More Information:	Art Alfaro, Treasurer, 974-7882
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Boards and Commission Action:	
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MBE / WBE:	
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Related Items:	
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Additional Backup Information

The City's taxable commercial paper program was established in 1998. The commercial paper program allows the City to issue short-term debt for qualifying Capital Improvement Program projects to minimize borrowing costs. The commercial paper is refinanced into long-term debt as the capacity nears the maximum levels established by Council.

The current taxable commercial paper program is used to finance projects with a private use (e.g., chillers). The current Letter of Credit Reimbursement Agreement (LOC) supporting the program was approved by Council on June 23, 2011 with JPMorgan and has an expiration date of October 1, 2014. It totals \$55,625,000 (\$50,000,000 in principal and \$5,625,000 in interest).

This Council request, if approved, will allow the City to replace the expiring LOC Reimbursement Agreement in anticipation of the October 1 expiration. If Council approves, the City will enter into a Letter of Credit Reimbursement Agreement with Citibank in an amount equal to the current outstanding principal of \$50,000,000, plus the required interest component. The facility fee rate for the new LOC is proposed at 28 basis points for the entire program, which is lower than the current fee rates of 90 basis points for the utilized portion of the program and 85 basis points for the unutilized portion of the program. With this lower fee, annual costs will decrease by approximately \$100,000 in Fiscal Year 2015, and \$300,000 in Fiscal Year 2016 and Fiscal Year 2017.

10 banks were solicited and five banks responded. Bids were submitted for one year, two year, and three year terms and it is staff's recommendation that the City accept the three year bid of 28 basis points in order to realize cost savings for the next three years. Citibank has agreed to an expiration date of October 15, 2017.

In addition to the ongoing fees, there will be certain one-time costs associated with execution of this transaction. The estimated total for these fees is \$200,000 and will be paid to the following entities acting in the capacity noted:

Kutak Rock—Bank Domestic Counsel
McCall, Parkhurst & Horton L.L.P.—City Bond Counsel
Fulbright & Jaworski—City Disclosure Counsel
Public Financial Management—Financial Advisor
Fitch—Rating Agency
Moody's—Rating Agency
Standard & Poor's—Rating Agency
State of Texas Attorney General