

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	73170	Agenda Number	13.
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Meeting Date:	8/31/2017	Department:	Treasury
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Subject

Approve an ordinance authorizing a Reimbursement Agreement with Citibank, N.A. and a Reimbursement Agreement with Sumitomo Mitsui Banking Corporation related to the City's Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008; and authorizing the execution and delivery of related agreements and fees.

Amount and Source of Funding

Funding for the Letter of Credit fees, estimated at \$260,773 for FY2018 as well as the one time cost of issuance were included in the Fiscal Year 2017-18 Approved Operating Budget of the Hotel Tax Revenue Bond Redemption Fund.

Fiscal Note

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

Purchasing Language:	
Prior Council Action:	On July 24, 2008, the City Council approved the City of Austin, Texas Hotel Occupancy Tax, Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008.
For More Information:	Art Alfaro, Treasurer, 512-974-7882
Council Committee, Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

In 2008, the City issued bonds for the purpose of refunding the previously issued 2005 variable rate obligations in order to split the structure into a Series A and a Series B structure. A necessary component of any variable rate demand obligation (VRDO) is a bank liquidity facility. The liquidity facility for these bonds is a Letter of Credit (LOC). The LOC serves two functions: first, to provide liquidity support for the bonds in the event that the bonds cannot be remarketed; and second, as a guarantor should the City be unable to make debt service payments. The City would be obligated to reimburse the LOC provider(s) for all draws made on the LOCs.

The City entered into a LOC agreement with Dexia Credit Bank (Dexia) at the time the bonds were originally issued in 2008. On June 23, 2011, Council approved the execution of a new LOC agreement with JPMorgan Chase Bank (JPMorgan) and Bank of America, replacing Dexia's LOC. On November 8, 2012, Council approved the execution of an amended and restated LOC agreement with JPMorgan, replacing Bank of America's LOC. On April 17, 2014,

Council approved the extension of the expiration date of the two JPMorgan LOCs to October 15, 2017.

The City sought bids from 12 banks that had previously expressed interest in replacing the expiring LOCs. Seven banks responded. Bids were submitted for one year, two year, three year, four year, and five year terms. This council request, if approved, will allow the City to replace the expiring LOCs with one from Citibank, N.A. (Citi) and one from Sumitomo Mitsui Banking Corporation, acting through its New York Branch (SMBC). The fees for the new LOCs are proposed at 28 basis points by Citi and 33 basis points by SMBC, both of which are lower than the current fee rate of 42 basis points. With these lower fees, annual costs will decrease approximately \$99,000 in the first full year, and will continue to decrease over the term as principal of the bonds is paid down.

In addition to the ongoing LOC fees, there will be certain one-time costs associated with execution of this extension. The estimated total for the one time fees is \$250,000 and will be paid to the following entities acting in the capacity noted:

PFM Financial Advisors, L.L.C – Financial Advisor
Bracewell LLP – Bond Counsel
McCall, Parkhurst & Horton – Disclosure Counsel
Chapman and Cutler LLP – Bank Counsel
Moody's Investor Services – Rating Agency
Standard & Poor's – Rating Agency
State of Texas – Attorney General.