



Recommendation for Action

File #: 21-2598, **Agenda Item #:** 54.

8/26/2021

Posting Language

Approve an ordinance authorizing a Letter of Credit and Reimbursement Agreement with UBS AG related to the City's Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 Subseries 2008A; and authorizing the execution and delivery of related agreements and fees.

Lead Department

Treasury.

Fiscal Note

This item has no fiscal impact.

For More Information:

Belinda Weaver, Treasurer, 512-974-7885

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 & Series B structure. A necessary component of any variable rate demand obligation (VRDO) is a bank liquidity facility. The liquidity facility is provided in the form of a Letter of Credit (LOC). The LOC serves two functions: First, to provide liquidity support for the bonds in the event that tendered 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 with Dexia Credit Bank (Dexia) at the time the VRDO was issued. On June 23, 2011, Council approved the execution of the LOC and Reimbursement Agreement with JPMorgan Chase Bank (JPMorgan) and Bank of America, replacing Dexia's LOC. On November 1, 2012, Council replaced the two agreements with a single JPMorgan agreement which was set to expire in July 2014. The agreement with JPMorgan was extended on April 14, 2014 and a new expiration date was set for October 15, 2017. On August 31, 2017, Council approved an ordinance authorizing the execution of an LOC with Citibank, N.A. (Citibank) for Subseries 2008A and Sumitomo Mitsui Banking Corporation (SMBC) for Subseries 2008B with an expiration of October 9, 2020. The agreement with Citibank for Subseries 2008A was extended on August 27, 2020 and a new expiration date was set for October 7, 2021. The agreement with SMBC for Subseries 2008B was extended on August 27, 2020 and a new expiration date was set for October 7, 2022.

The City's financial advisor, PFM Financial Advisors LLC, solicited bids to replace the expiring Subseries 2008A LOC. Eight financial institutions 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 of Austin to replace the expiring LOC with one from UBS AG for a three-year term. The fee for the new LOC is proposed at 29 basis points, which is lower than the current fee of 115 basis points. With this lower fee, annual costs are expected to decrease approximately \$254,538.50 in the first full year, and will continue to decrease over the term as

principal of the bonds are 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
Norton Rose Fulbright US 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.

Strategic Outcome(s):

Government that Works for All.