



City of Austin

Recommendation for Action

File #: 24-4349, **Agenda Item #:** 11.

5/2/2024

Posting Language

Approve an ordinance authorizing the issuance of Tax-Exempt Program Notes, to be issued in the form of commercial paper notes and direct purchase notes, in a maximum principal amount at any one time outstanding not to exceed \$600,000,000, to provide short-term financing on utility projects; approve the execution of all related agreements, including an Amended and Restated Revolving Credit Agreement and an Amended and Restated Note Purchase Agreement, each with JPMorgan Chase Bank; and approve and authorize all related documents, agreements, and fees related to the City's Combined Utility Systems Tax-Exempt Program Notes.

Lead Department

Financial Services Department.

Fiscal Note

This item has no fiscal.

For More Information:

Belinda Weaver, Treasurer, 512-974-7885.

Additional Backup Information:

In 1996 Council approved a \$350 million tax-exempt commercial paper program for the Water/Wastewater and Electric Utilities. The commercial paper program allows the City to issue short-term debt for qualifying Capital Improvement Program projects to minimize borrowing costs, eliminates the need for an arbitrage calculation and allows greater flexibility for the utility systems in managing cash needs. At various times during the life of the commercial paper program, when market conditions are favorable, Council is asked to issue long-term refunding bonds to retire all or a portion of the outstanding commercial paper notes.

A necessary component of the commercial paper program is liquidity, either in the form of a Letter of Credit (LOC) or a Line of Credit (Line). An LOC serves two functions: first, to provide liquidity for the commercial paper securities in the event there are no buyers in the market for the City's commercial paper, and second, as a guarantor for the commercial paper should the City be unable to make debt service payments on the commercial paper. A Line provides liquidity support and is less costly to the City than an LOC. In 2017, in connection with the creation of the Tax-Exempt Program Note structure, the existing LOC was replaced by a Line obtained from JPMorgan Chase Bank, National Association (JPMorgan). Both an LOC and a Line typically have an expiration date of one to five years, at which point the City must renew, extend or replace the existing facility. The current Line, which expires September 30, 2024, totals \$429,589,042 (including \$400,000,000 in principal and \$29,589,042 in interest).

This proposed action will allow the City to replace the expiring Line in anticipation of the September 30 expiration date and increase the existing program from \$400,000,000 to \$600,000,000. The program is being increased in size to take advantage of the lower borrowing costs associated with commercial paper versus the borrowing costs associated with long-term debt, and to reduce the frequency with which the utilities must issue long-term revenue bonds to refund short-term commercial paper issuances. If Council approves, the City will

enter into an Amended and Restated Revolving Credit Agreement, an Amended and Restated Note Purchase Agreement, and a Fee Letter with JPMorgan. The Line will be in an amount equal to maximum principal of \$600,000,000, plus the required interest component. The facility fee rate for the new Line is proposed at 53 basis points for the entire \$600 million for a five-year term. In addition, the City will enter into an Amended and Restated Issuing and Paying Agent Agreement with U.S. Bank Trust Company, National Association, an Amended and Restated Note Paying Agent Agreement with JPMorgan, and a Dealer Agreement with JP Morgan Chase. Goldman Sachs & Co. (Goldman) currently serves as Dealer for the Program Notes, but the City is no longer able under Texas law to execute a Dealer Agreement with Goldman, as Goldman is not able to make certain representations to the City as required under the provisions of Chapters 2274 and 2276, Texas Government Code.

In addition to the ongoing Line fee, there will be certain one-time costs associated with execution of this transaction. The estimated total for these fees is \$700,000 and will be paid to the following entities acting in the capacity noted:

- Chapman & Cutler LLP-Bank Counsel
- McCall, Parkhurst & Horton L.L.P.-City Bond Counsel
- Norton Rose Fulbright US LLP-City Disclosure Counsel
- PFM Financial Advisors LLC-Financial Advisor
- Fitch-Rating Agency
- Moody's-Rating Agency
- Standard & Poor's-Rating Agency
- State of Texas Attorney General.