



City of Austin

Recommendation for Action

File #: 24-4352, **Agenda Item #:** 13.

5/2/2024

Posting Language

Approve an ordinance authorizing a Letter of Credit and 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.

Lead Department

Financial Services Department.

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 its Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 (Bonds) for the purpose of refunding the previously issued 2005 variable rate obligations in order to split the structure into a Subseries A and Subseries B, each supported by a separate liquidity facility. A bank liquidity facility is a necessary component of any variable rate demand obligation, such as the Bonds. 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 guarantee 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 current LOCs for each subseries expire in October 2024.

This Council request, if approved, will allow the City of Austin to extend the expiring Subseries 2008B LOC with Sumitomo Mitsui Banking Corporation (SMBC) and replace the expiring Subseries 2008A (currently held with UBS AG) with SMBC. The fee associated with extending the LOC is proposed at 57 basis points by SMBC.

In addition to the ongoing LOC fees, there will be certain one-time costs associated with execution of this LOC execution. The estimated total for the one-time fees is \$350,000 and will be paid to the following entities acting in the capacity noted:

PFM Financial Advisors LLC - Financial Advisor
Norton Rose Fulbright US LLP - Bond Counsel
McCall, Parkhurst & Horton - Disclosure Counsel
Chapman & Cutler, LLC - Bank Counsel
Moody's Investor Services - Rating Agency
S&P Global Ratings - Rating Agency
State of Texas - Attorney General.

