



City of Austin

Recommendation for Action

File #: 24-4351, **Agenda Item #:** 12.

5/2/2024

Posting Language

Approve an ordinance authorizing the issuance of Taxable Commercial Paper 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 of \$100,000,000 to provide short-term financing on utility projects; approve the execution of all related agreements, including a Revolving Credit Agreement and a 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 Taxable Program Notes.

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:

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 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 secondly, 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 Taxable Program Note structure, the existing LOC was replaced by a Line obtained from Barclays Bank PLC (Barclays). 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 \$107,397,261 (\$100,000,000 in principal and \$7,397,261 in interest). The City is no longer able under Texas law to execute liquidity agreements with Barclays, as Barclays is not able to make certain representations to the City as required under the provisions of Chapters 2274 and 2276, Texas Government Code.

This proposed action will allow the City to replace the expiring Line in anticipation of the September 30 expiration date and restructure the existing Taxable Program Notes by creating a program authorizing the sale of both tax-exempt commercial paper notes and direct purchase notes. This program will be structured in a similar manner to the City's Combined Utility Systems Tax-Exempt Program Notes. The City will enter into a Revolving Credit Agreement with JPMorgan Chase Bank, National Association (JPMorgan) to provide a Line in

an amount equal to the maximum outstanding principal of \$100,000,000, plus the required interest component. The facility fee rate for the new Line is proposed at 53 basis points for the entire \$100 million for a five year term. In addition, the City will execute a Note Purchase Agreement with JPMorgan, a Fee Letter with JPMorgan, an Amended and Restated Issuing and Paying Agent Agreement with U.S. Bank Trust Company, National Association, a Note Paying Agent Agreement with JPMorgan, and a Dealer Agreement with JPMorgan Chase. Goldman Sachs & Co. (Goldman) currently serves as Dealer for the outstanding Commercial Paper 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 \$300,000 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.