

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	31937	Agenda Number	46.
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Meeting Date:	4/17/2014	Department:	Treasury
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Subject

Approve an ordinance authorizing the extension of credit agreements with JPMorgan Chase Bank, National Association related to the City's Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008; and approving and authorizing the execution and delivery of all related agreements, documents, and fees.

Amount and Source of Funding

Funding for the Letter of Credit fees, estimated at \$188,643 for FY2014 as well as the one-time cost of issuance were included in the Fiscal Year 2013-14 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
Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

-----REQUIRED AUTHORIZATION-----

In 2008, the City issued Bonds for the purposed 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 Local Bank (Dexia) at the time the VRDO was issued. On June 23, 2011, Council approved the execution of the LOC and Reimbursement Agreements 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 set to expire in July 2014.

Nine banks that had previously expressed interest in participating in the replacement of the expiring LOC were solicited. Four banks responded. Bids were submitted for one year, two year, three year, and four year terms. This Council request, if approved, will extend the JPMorgan Chase LOC for three years at a proposed facility fee rate of 42 basis points. The fee for the extension is lower than the current fee rate of 110 basis points. With this lower fee, annual costs will decrease by approximately \$0.7 million in the first full year, and will continue to decrease over the term as principal of the bonds is paid down. To accommodate a financial statement reporting requirement, JPMorgan has agreed to an expiration date in October 2017, which is slightly more than three years.

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 \$150,000 and will be paid to the following entities acting in the capacity noted: Public Financial Management – Financial Advisor; Bracewell & Giuliani LLP – Bond Counsel; McCall, Parkhurst & Horton – Disclosure Counsel; Andrews Kurth – Bank Counsel; Moody's Investor Services, and Standard & Poor's – Rating Agencies; and State of Texas – Attorney General.