



**Debt Issuance**  
**CITY OF AUSTIN**  
**RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 8**  
**AGENDA DATE: Thu 09/30/2004**  
**PAGE: 1 of 2**

**SUBJECT:** Approve an ordinance authorizing the extension of the Letter of Credit and Reimbursement Agreement between the City of Austin and Landesbank Hessen-Thüringen Girozentrale relating to the \$50,000,000 Combined Utility Systems Taxable Commercial Paper Notes program, and the approval of all related documents.

**AMOUNT & SOURCE OF FUNDING:** The estimated \$160,000 Letter of Credit fee is included in the 2004-2005 Proposed Operating Budget of the Electric Utility Department.

**FISCAL NOTE:** There is no unanticipated fiscal impact. A fiscal note is not required.

**REQUESTING** Financial and **DIRECTOR'S**  
**DEPARTMENT:** Administrative Services - **AUTHORIZATION:** Vickie Schubert  
Treasury

**FOR MORE INFORMATION CONTACT:** Vickie Schubert, Deputy Chief Financial Officer 974-3344

**PRIOR COUNCIL ACTION:** On June 29, 2000, City Council approved issuance of up to \$160 million in taxable Commercial Paper Notes, including execution of all related documents such as a Dealer Agreement, Paying Agent Agreement and Reimbursement Agreement for the issuance of a Letter of Credit.

**BOARD AND COMMISSION ACTION:** N/A

---

On June 29, 2000, City Council increased the taxable commercial paper program from \$60 million to \$160 million. Along with this program expansion, Council approved the execution of all related documents, including a Letter of Credit and Reimbursement Agreement. On April 1, 2003 the City of Austin reduced the commercial paper program from \$160,000,000 to \$50,000,000. The taxable commercial paper program was established by Council in May 1998 due to output regulations issued by the U.S. Treasury Department concerning the issuance of tax-exempt debt for electric utility transmission projects. Federal regulations have changed allowing transmission projects to be funded with tax-exempt debt. Therefore, the size of the taxable commercial paper program can be reduced and will be used to finance projects that involve private use (i.e. chillers). The approved Letter of Credit backing the commercial paper program was scheduled to expire August 6, 2004, but was extended by the bank until October 6, 2004. At this time, a one year extension of the Letter of Credit is being requested. The new expiration date will be October 4, 2005.

The advantages of a commercial paper program are as follows:

1. Borrowing costs that are significantly lower than long-term borrowing rates. Current commercial paper borrowing rates range from 1.10% to 1.50%
2. The utility system can borrow money in smaller amounts than would be practical or economical in a



**Debt Issuance**  
**CITY OF AUSTIN**  
**RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 8**  
**AGENDA DATE:** Thu 09/30/2004  
**PAGE:** 2 of 2

traditional bond sale.

3. Quick access to the market and the flexibility to tailor debt issues to both market conditions and specific cash requirements.

4. Proceeds from the sale of commercial paper are received immediately.

5. The commercial paper program does not require debt service coverage nor a reserve fund.

6. The utility systems are afforded a broader diversification in their debt structure.

At various time during the life of the commercial paper program, when market conditions are favorable, Council will be asked to issue long-term refunding bonds to retire all or a portion of the outstanding commercial paper notes. Thus, allowing future projects to be financed under the program.

The commercial paper program offers the utility systems the advantages of lower borrowing costs, greater flexibility and a broader diversification of its debt structure.

ORDINANCE NO. 040930-\_\_\_\_\_

AN ORDINANCE approving and authorizing the execution of a Second Amendment to Letter of Credit and Reimbursement Agreement relating to the "City of Austin, Texas, Combined Utility Systems Taxable Commercial Paper Notes"; and resolving other matters incident and related thereto; and declaring an emergency.

WHEREAS, on June 29, 2000, Ordinance No.000629-90 was duly adopted amending and restating Ordinance No. 980513-B to increase the aggregate principal amount of "City of Austin, Texas, Combined Utility Systems Taxable Commercial Paper Notes" (the "Notes") authorized to be outstanding from time to time from \$60,000,000 to \$160,000,000 and provide for a new letter of credit (the "Letter of Credit") to be issued by Landesbank Hessen-Thüringen Girozentrale with respect to the Notes in accordance with the terms and provisions of a Letter of Credit and Reimbursement Agreement, dated as of July 1, 2000 (the "Agreement"); and

WHEREAS, the City has requested the Bank extend the Expiry Date of the Letter of Credit and amend the Agreement to provide for a bifurcated method in determining the compensation due the Bank based on the "used/unused" amount of the Letter of Credit; and

WHEREAS, the Bank has agreed to extend the Expiry Date of the Letter of Credit and modify the terms for its compensation to bifurcated basis as requested by the City, and submitted to the City for its approval and execution a Second Amendment to the Letter of Credit and Reimbursement Agreement, dated and effective as of \_\_\_\_\_, 2004, attached hereto as Exhibit A and incorporated by reference as a part hereof for all purposes, and

WHEREAS, the City Council hereby finds and determines such Second Amendment should be approved and the City Manager authorized and directed to execute the same for and on behalf of the City; now, therefore,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF AUSTIN, TEXAS:

SECTION 1: The Second Amendment to Letter of Credit and Reimbursement Agreement, dated and effective as of \_\_\_\_\_, 2004, by and between the City and Landesbank Hessen-Thüringen Girozentrale, acting by and through its New York Branch, attached hereto as Exhibit A and incorporated herein by reference as a part hereof for all purposes, is hereby approved and authorized to be delivered by the City and the City Manager and City Clerk are hereby authorized and directed to execute such Second Amendment for and on behalf of the City and as the act and deed of this Council.

SECTION 2: Save and except as amended by the First Amendment to Letter of Credit and Reimbursement Agreement, dated and effective as of August 14, 2001, and the Second Amendment to Letter of Credit and Reimbursement Agreement, dated and effective as of \_\_\_\_\_, 2004, no other changes or modification are approved to be made to the Letter of Credit and Reimbursement Agreement, dated as of July 1, 2000, and such Agreement as modified by the First Amendment and Second Amendment is hereby declared to be the Agreement by and between the City and the Bank from and after the date of its execution by the parties.

SECTION 3: It is officially found, determined, and declared that the meeting at which this Ordinance is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Ordinance, was given, all as required by V.T.C.A., Government Code, Chapter 551, as amended.

SECTION 4: The public importance of this measure and the fact that the amendments herein contemplated must be approved prior to the expiration date of the Letter of Credit to prevent an adverse financial impact on the City with respect to the outstanding Notes constitute an emergency for the immediate preservation of the public peace, health and safety of the citizens of the City and creates an emergency requiring the suspension of the rule providing for ordinances to be read on three separate days; and such rule relating to the passage of ordinances and the Charter provision relating to the effective date of ordinances are hereby suspended and this Ordinance is hereby passed as an emergency measure and shall be effective immediately upon its passage and adoption as provided by the Charter of the City.

PASSED AND ADOPTED, this September 30, 2004

CITY OF AUSTIN, TEXAS

ATTEST:

\_\_\_\_\_  
SHIRLEY A. BROWN  
City Clerk

\_\_\_\_\_  
WILL WYNN  
Mayor

(City Seal)

APPROVED:

\_\_\_\_\_  
DAVID ALLAN SMITH  
City Attorney