



## Recommendation for Action

**File #:** 20-2671, **Agenda Item #:** 70.

8/27/2020

### **Posting Language**

Approve an ordinance authorizing a Letter of Credit and Reimbursement Agreement with Citibank, N.A. and 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 related fees.

### **Lead Department**

Treasury

### **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 Bonds for the purpose 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 Bank (Dexia) at the time the VRDO was issued. On June 23, 2011, Council approved the execution of the LOC and Reimbursement Agreement 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. The agreement with JPMorgan was extended on April 14, 2014 and a new expiration date was set for October 15, 2017. On August 31, 2017, Council approved an ordinance authorizing the execution of an LOC with Citibank, N.A. (Citibank) and Sumitomo Mitsui Banking Corporation (SMBC) with an expiration of October 9, 2020.

Staff and the City's financial advisor, PFM Financial Advisors LLC, solicited bids to replace the expiring LOC. There were few responses to the solicitation, primarily due to the major impact that COVID-19 has had on the credit market as municipal finances across the country are being challenged. The majority of financial institutions are only working with existing clients, and if credit is extended to new clients, the additional risk is reflected in their fees. It is staff's recommendation that the City exercise an extension to our existing agreement with Citibank and SMBC.

This Council request, if approved, will allow the City of Austin to extend the expiring LOC with Citibank and SMBC. The fee associated with extending the LOC is proposed at 115 basis points by Citi and 73 basis points by SMBC.

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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 \$250,000 and will be paid to the following entities acting in the capacity noted:

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

**Strategic Outcome(s):**

Government that Works for All.