



Legislation Details (With Text)

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Title: Replacement of Liquidity Agreements for the Variable Rate Utilities System Revenue Bonds, 2008 Series B and 2012 Series B, approval of Reoffering Memorandums related thereto, and extension of Credit Agreement for Utilities System Commercial Paper Notes Series D. (B)

This item was presented to the UAB on 5-17-17.

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Attachments: 1. 170041 2008 Series B Fee Letter 20170601, 2. 170041 2008 Series B Stand-By PBA 20170601, 3. 170041 2012 Series B Fee Letter 20170601, 4. 170041 2012 Series B Stand-By PBA 20170601, 5. 170041 First Amendment to Credit Agreement _ GRU _ Commercial Paper (2017) 20170601, 6. 170041 First Amendment to Fee Letter - GRU _ Commercial Paper (2017) 20170601, 7. 170041 Cost Comparison 20170601, 8. 170041 Liquidity Facility Repl. Pres. 20170601, 9. 170041_reofferingmemo2008B_20170601, 10. 170041_reofferingmemo2012B_20170601

Date	Ver.	Action By	Action	Result
6/1/2017	2	City Commission	Approved as Recommended	Pass
5/17/2017	1	Utility Advisory Board		

Replacement of Liquidity Agreements for the Variable Rate Utilities System Revenue Bonds, 2008 Series B and 2012 Series B, approval of Reoffering Memorandums related thereto, and extension of Credit Agreement for Utilities System Commercial Paper Notes Series D. (B)

****This item was presented to the UAB on 5-17-17.****

On January 28, 2008 the City adopted Resolution No. 070862 authorizing the issuance of \$90,000,000 of 2008 Series B Variable Rate Utilities System Bonds. In conjunction with the issuance of the bonds, a Standby Purchase Agreement (SBPA) was entered into providing liquidity support for the issue.

The current version of the SBPA expires July 7, 2017. The provider of the agreement, Bank of Montreal, has decided to exit this line of business in its entirety. To replace this agreement the City, through its Financial Advisor, Public Financial Management (PFM), solicited proposals for an alternate Credit Facility. Nine banks responded to the Request For Information (RFI):

Bank of America

U.S. Bank

Barclays Bank PLC

State Street

Sumitomo Mitsui Banking Corporation

JP Morgan

RBC

Citi Bank, and

Wells Fargo

Based on a review of evaluative criteria including but not limited to facility fees, proposed term, long- term and short- term bank ratings, trading history and performance of the bank and other fees and expenses, Barclays Bank PLC was selected as the best responder.

Over the next nine months GRU has two additional liquidity facilities set to expire: a Letter of Credit Agreement provided by State Street Bank on our Utilities System Commercial Paper Notes, Series D that expires on August 28, 2017 and a Standby Letter of Credit Agreement provided by Sumitomo Mitsui Banking Corporation, acting through its New York Branch on our Variable Rate Utilities System Revenue Bonds, Series 2012 B that expires by its terms on January 12, 2018. Given the favorable pricing numbers we received through the Series 2008 Series B RFI process, it was determined that it would be in the City's best interest to explore the opportunity to replace or renew these agreements at the same time, prior to their formal expiration date. Replacing or renewing all three liquidity agreements at the same time will allow for efficiencies in the preparation of a disclosure document related to the 2008 Series B and 2012 Series B Bonds. This synergy of processes saves time, effort and significant expense on the part of the City and our financing team. Therefore, discussions were held with the institutions that responded to the original RFI for the 2008 Series B Bonds regarding the potential for providing liquidity support for the Utilities System Series D Taxable Commercial Paper Notes and the 2012 Series B Bonds. Based on the results of these discussions, the recommendation is to extend State Street as the provider of the Letter of Credit for the Series D Taxable Commercial Paper Program and replace Sumitomo Mitsui Banking Corporation with Citi Bank as the provider of liquidity support on the 2012 Series B Bonds.

The table titled "Cost Comparison", which is attached to this agenda item, outlines the comparison between costs associated with the current liquidity support agreements and those with the proposed renewals /replacements.

Based on fee changes alone, the proposed renewals and replacements will save GRU \$64,470 per year for three years compared to the current fee levels for these facilities. It is important to note that this savings amount does not include the "avoided" legal and disclosure costs that would be incurred if the facilities were replaced through separate, distinct processes based on the current expiration dates. Additionally, though they did not

submit a proposal to provide liquidity support, Goldman Sachs did submit an offer to reduce remarketing fees for the following variable rate debt issues they currently service:

2006 Series A

2008 Series B

Series C Tax Exempt Commercial Paper

Series D Taxable Commercial Paper

The annual savings from these reduced remarketing fees is expected to be just under \$26,000.

Staff recommends that the City Commission:

- 1) Approve the selection of the following liquidity support providers: Barclays for the 2008 Series B Bonds, Citi Bank for the 2012 Series B Bonds, and extension of the credit facility provider of State Street for the Series D Taxable Commercial Paper program,
- 2) Approve the terms and conditions set forth in the respective draft Credit Agreements, related fee letters, and Reoffering Memorandums, and extension of the credit facility for State Street for the Series D Taxable Commercial Paper Program, each in substantially the form submitted to the Commission and with such changes thereto as the officer executing the same may approve as necessary or desirable and in the best interests of GRU, such approval to be evidenced by the execution and delivery thereof, and subject to the approval of the City Attorney as to form and legality and
- 3) authorize the Clerk of the Commission, General Manager, Chief Financial Officer, and other Authorized Officers to execute the Credit Agreements with the respective liquidity support agreements and amendments to extend the term of the credit facility with State Street for the Series D Taxable Commercial Paper Program, subject to approval of the City Attorney as to form and legality.

UAB

At their May 17, 2017 regular meeting, the UAB voted 7-0 in favor of advising the City Commission to approve the staff recommendation.