



Legislation Text

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Credit Facility for GRU's Series D Taxable Commercial Paper Notes (B)

On June 15, 2000, the City Commission adopted Resolution No. 991387 authorizing GRU to issue Series D Taxable Commercial Paper Notes in an amount not to exceed \$25,000,000 and execute related legal documents including a Credit Agreement with SunTrust Bank to provide liquidity support for the Commercial Paper. In addition, on February 19, 2009, the City Commission adopted Agenda Item No. 080805 authorizing GRU to issue additional Series D Taxable Commercial Paper Notes in an amount not to exceed \$25,000,000 at any time outstanding in order to finance capital projects that are included in GRU's then-approved capital budget and that, under applicable federal income tax laws and regulations, may be financed only on a taxable basis, subject to the limitations contained therein.

The Credit Agreement with SunTrust expires on September 11, 2014, and must either be renewed with SunTrust or replaced with a facility from another provider.

Since we entered into the existing agreement, SunTrust's credit ratings, both long term and short term, have been downgraded. This lower credit rating will likely give prospective investors buying the commercial paper concern, requiring a higher yield at an additional cost to GRU. If GRU were to replace SunTrust with a bank that has a higher short term rating, as liquidity provider, it is very likely that GRU's commercial paper would be placed with investors at lower rates. GRU does plan to issue commercial paper over the near term. We believe it is beneficial to GRU and our customers to obtain a higher-rated replacement provider for GRU's Series D Taxable Commercial Paper.

Accordingly, on March 17, 2014 GRU issued a Request for Information soliciting information from various commercial banks relating to the replacement of the credit agreement for the Series D Taxable Commercial Paper Notes.

Five banks responded to the RFI:

- State Street Bank & Trust Co.
- Wells Fargo
- Bank of America
- JP Morgan Chase Bank, N.A.
- Royal Bank of Canada

Based on a review of evaluative criteria including but not limited to facility fees, proposed term, long-term and short-term bank ratings, and other fees and expenses, State Street Bank & Trust Co. ("State Street") was selected as the highest-rated responder.

The current facility fee under the SunTrust Credit Agreement is 50 basis points, which translates to an annual cost of \$125,000. The fee proposal from State Street is 33 basis points, which equals an annual cost of \$82,500

for an annual savings of \$42,500.

The City Commission 1) approve the selection of State Street as the liquidity support provider for the Series D Taxable Commercial Paper Notes, 2) approve the terms and conditions set forth in the draft Credit Agreement between the City and State Street and the related Fee Letter, 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, Interim General Manager, Interim Chief Financial Officer, and other Authorized Officers to execute the Credit Agreement with State Street and related Fee Letter and other such documents as may be necessary to complete the transaction, subject to approval of the City Attorney as to form and legality.