



Legislation Text

File #: 211097., Version: 2

Resolution Authorizing the Extension of the \$50 Million Taxable Line of Credit with Truist Bank (B)

****This item was presented to the UAB on 4/15/22.****

The Truist taxable revolving line of credit provides the utility a low cost source of additionally liquidity to fund operating costs to assist in the financial management of unforeseen events. It contributes to balancing the utility's sources of available liquidity between capital projects and operating costs, and is looked upon favorably by rating agencies and prospective investors.

The current \$50 million line of credit from Truist expires in April. We have reached agreement with the bank on a three year extension on essentially the same terms as the current agreement, with the following exceptions:

- Adjusting the index on the rate for drawdowns from LIBOR to SOFR based on the industry phase out of the LIBOR index
- Reducing the credit spread on amounts advanced under the lines

It is not anticipated that this line of credit will be utilized outside of unexpected financial circumstances. The recurring cost of the unused portion of the line of credit is 30 basis points based on the average unused amount of the facility in the prior quarter. Amounts drawn on the line will accrue interest at a variable rate equal to 30 day SOFR plus 62 basis points.

The City Commission approve the Supplemental Subordinated Utilities System Revenue Bond Resolution and thereby approve the extension of the \$50 million taxable line of credit with Truist Bank, approve the form of the Purchase Contract, and authorize the execution and delivery of certain amendments in connection therewith, subject to approval of the City Attorney as to form and legality.

The UAB voted unanimously to advise the City Commission to accept the staff recommendation.