



**PUBLIC SERVICE BOARD MEETING
AGENDA ITEM
REGULAR MEETING**

Wednesday, April 11, 2018

SUBJECT

Direct Funded Revolving Loan with Bank of America N.A. for the Municipal Drainage Utility System

BACKGROUND

Since its inception, the Capital Improvement Program (CIP) for the Municipal Drainage Utility was funded through two sources:

- A small portion was cash funded through the use of revenues available for CIP
- The remaining CIP was financed through the use of 20-year revenue bonds

A new interim-financing tool will reduce debt expense from bonds issued but not spent within the proposed CIP timeline. RFP 38-18 Direct Funded Revolving Loan or Note Purchase Agreement was issued on February 26, 2018. The RFP solicited proposals for a short-term financing product with a limit of \$25 million, with drawdown and prepayment flexibility similar to a commercial program product, for a term of two to five years.

STRATEGIC OBJECTIVES SUPPORTED

Strengthen Financial Viability

EVALUATION PROCESS

Seven proposals were received from Bank of America, Wells Fargo, BBVA Compass, Regions Bank, RBC Capital, JP Morgan Chase and Citigroup. An evaluation committee consisting of Marcela Navarrete, Arturo Duran and Maria Urbina, Financial Advisor from Hilltop Securities, evaluated and rated the proposals based on best financial value to the Utility and the bank's financial stability and ratings. The proposals received from JP Morgan Chase and Citigroup were deemed not responsive for not providing the information requested in the RFP. On April 5, 2018, the recommendation from the evaluation committee was discussed with the Audit, Finance and Investment Committee, which agreed with the recommendation.

FINANCIAL IMPLICATIONS

The Utility expects to reduce debt service expense with the use of the Direct Funded Revolving Loan or Purchase Note Agreement with Bank of America.

PROPOSED ACTION REQUESTED

Consider and approve a Resolution selecting Bank of America, N.A. as the provider for Direct Funded Revolving Loan or Purchase Note Agreement for the Municipal Drainage Utility System and requesting the City of El Paso to approve the agreement with Bank of America N.A. in the amount not to exceed \$25,000,000 with a term of five years, and authorize the President & CEO or PSB Chair to sign and approve any required documentation in connection with the selection.

SUPPORTING DOCUMENTATION PROVIDED

- Board Resolution
- Summary of proposal from Bank of America

RESOLUTION

A RESOLUTION SELECTING BANK OF AMERICA N.A. AS THE PROVIDER FOR A DIRECT FUNDED REVOLVING LOAN OR NOTE PURCHASE AGREEMENT FOR THE MUNICIPAL DRAINAGE UTILITY SYSTEM, AND REQUESTING THE EL PASO CITY COUNCIL TO AUTHORIZE AND APPROVE AN AGREEMENT WITH BANK OF AMERICA N.A. IN AN AMOUNT NOT TO EXCEED \$25,000,000, AND AUTHORIZING THE PRESIDENT/CEO AND/OR THE PUBLIC SERVICE BOARD CHAIR TO SIGN A LETTER OF COMMITMENT WITH BANK OF AMERICA N.A., AS NECESSARY

WHEREAS, on June 19, 2007, the City Council of the City of El Paso, Texas established the El Paso Texas Municipal Drainage Utility System (the "System") by Ordinance Number 01668 for the management and control of stormwater drainage and infrastructure; and,

WHEREAS, the El Paso City Council, as authorized by State law, vested the complete management and control of the System in the El Paso Water Utilities Public Service Board; and,

WHEREAS, a new financing instrument was evaluated for interim financing of stormwater capital projects for the System; and,

WHEREAS, a solicitation was conducted for proposals for a provider of a Direct Funded Revolving Loan or Note Purchase Agreement (the "Credit Facility") as a means to provide such interim financing of System improvements; and,

WHEREAS, Bank of America, N.A. offered the best overall price for the Credit Facility; and,

WHEREAS, on April 5, 2018, the El Paso Water Utilities Public Service Board (PSB) Audit, Finance and Investment Committee met and reviewed the proposals submitted and recommended that the Bank of America N.A. be selected as the provider for the Credit Facility.

NOW, THEREFORE, BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF THE CITY OF EL PASO, TEXAS:

Section 1. That the findings and recitations set out in the preamble to this Resolution are found to be true and correct and are hereby adopted by the Public Service Board and made a part of this Resolution for all purposes.

Section 2. That the El Paso Water Utilities Public Service Board (PSB) hereby selects Bank of America, N.A. as the provider for the Credit Facility, as recommended and reviewed by the PSB Audit, Finance and Investment Committee Meeting; and that the PSB President/CEO, Vice President and/or Chief Financial Officer, Financial Advisor and Bond Counsel are hereby authorized to negotiate such Credit Facility, and sign any other necessary documents so that the Credit Facility, along with all other necessary documents, can be presented to the El Paso City Council for approval and authorization to execute the agreement between the City of El Paso and Bank of America N.A., in a form approved by the President/CEO, Vice President and/or Chief Financial Officer, Financial Advisor and Bond Counsel, in an amount not to exceed \$25,000,000;

and further authorize the President/CEO and/or PSB Chair to sign a letter of commitment with Bank of America N.A., if necessary.

PASSED AND APPROVED at the regular meeting of the Public Service Board, this **11th day of April, 2018**, at which meeting a quorum was present and which was held in accordance with the provisions of Texas Local Government Code, Sections 551.001, et. seq.

**EL PASO WATER UTILITIES
PUBLIC SERVICE BOARD**

ATTEST:

Chair

Secretary/Treasurer

APPROVED AS TO CONTENT:

Marcela Navarrete, Vice President
Strategic, Financial and Management
Services

APPROVED AS TO FORM:

Lee Ann B. Koehler
General Counsel

El Paso Municipal Drainage System
Summary of Proposal from Bank of America N.A. for RFP No. RFP38-18

Bank of America

**Revolving Note Purchase
 Agreement Line of Credit**

Minimum Draws: \$ 2,500,000

Expenses:

Cap on Legal Fees: \$ 45,000
 Non-Legal Fees and Expenses -
 Default Rate: 10%
 Amendment Fee to Bank: \$ 3,500
 Any other fees: \$ -
 Ratings NO (To be Determined)

Index: LIBOR (Daily, one, three,
 six or 12 month LIBOR)

Commitment/Unused Fees:

2 year 30 bppa
 3 year 32 bppa
 5 year 40 bppa

Drawn Rates:

Tax-Exempt 70% of Applicable LIBOR +
 Applicable Term Spread

Taxable Applicable LIBOR + Applicable
 Term Spread

Tax-Exempt Term	+Spread
2 year	0.35%
3 year	0.40%
5 year	0.65%

Taxable Term	+Spread
2 year	0.43%
3 year	0.50%
5 year	0.82%

Libor Rate as of 3/21/18 1.861250%
SIFMA Rate as of 3/21/18 1.360000%

BASE RATES	
Tax-Exempt Term	+Spread
2 year	1.653%
3 year	1.703%
5 year	1.953%
Taxable Term	+Spread
2 year	2.291%
3 year	2.361%
5 year	2.681%

(1) Assumes one month Libor.