

FOR CONSIDERATION

November 14, 2018

TO: The Board of Trustees

FROM: Thomas Falcone

SUBJECT: Approval of a Resolution Authorizing the Establishment of a Revolving Credit Line Agreement of \$350 million with JP Morgan Chase Bank, N.A.

Requested Action

The Board of Trustees of the Long Island Power Authority (the “Board”) is requested to adopt a resolution authorizing the establishment of a revolving credit agreement with JP Morgan Chase Bank NA (“JP Morgan Chase”) in a principal amount not to exceed \$350,000,000 and authorizing the Chief Executive Officer or his designee to execute the revolving credit agreement.

Background

The Long Island Power Authority (the “Authority”) desires to maintain its overall liquidity levels, which are comprised of cash on hand and a bank facilities program. The Authority believes that maintaining its liquidity will help in managing cash flows from its seasonal business, provide for advancing working capital as required under the Operations Services Agreement (“OSA”) with its Service Provider, and provide available funds for unexpected events such as major storms.

Accordingly, the Authority issued a Request for Proposal for Letters of Credit Facilities, Direct Placement Rate Notes and Revolving Credit Agreements (the “Bank Facilities RFP”) that was sent to 29 institutions in May 2017. Seven proposals were received. A selection committee consisting of three Authority staff, with the assistance of the Authority’s financial advisor, reviewed the proposals and concluded that the authority should accept the letter of credit proposals in support of the General Revenue Notes of (i) Citibank, (ii) Royal Bank of Canada (“RBC”), (iii) State Street Bank and Trust, and (iv) Barclays Bank PLC. The Board previously approved contracts for these on July 26, 2017. Those contracts were submitted to the Office of the State Comptroller (“OSC”) and approved in March 2018.

In addition to the proposals for letters of credit, JP Morgan Chase and State Street submitted their pricing for revolving credit agreements. Since the expiration date on the Authority’s existing revolving credit agreement with TD Bank is not until March 2019, the Authority decided to award such contract at a date closer to the expiration date on the current agreement. The Authority is now prepared to move forward and award the contract for a maximum of 3 years to JP Morgan Chase. Under the proposed credit agreement, JP Morgan Chase will be the only lender for the entire \$350 million with the ability to bring in additional banks in the future if needed.

The obligation to repay amounts advanced under the proposed credit agreement with JP Morgan Chase will be evidenced by Notes issued under the Amended and Restated Nineteenth

Supplemental Electric System General Revenue Bond Resolution on May 18, 2016 and Certificate of Determination.

Recommendation

Based on the foregoing, I recommended adopting of a resolution in the form attached hereto.

Attachments

Exhibit "A" Resolution

RESOLUTION AUTHORIZING THE ESTABLISHMENT OF A REVOLVING CREDIT AGREEMENT WITH JP MORGAN CHASE BANK NA (“JP MORGAN CHASE”) IN A PRINCIPAL AMOUNT NOT TO EXCEED \$350,000,000 AND AUTHORIZING THE CHIEF EXECUTIVE OFFICER OR HIS DESIGNEE TO EXECUTE THE REVOLVING CREDIT AGREEMENT

WHEREAS, on May 13, 1998 the Long Island Power Authority (the “Authority”) adopted its Eclectic System General Revenue Bond Resolution (the “General Resolution”), which authorizes bonds, notes or other evidences of indebtedness of the Authority, as special obligations of the Authority in accordance with the terms thereof for any lawful purpose of the Authority; and

WHEREAS, pursuant to the Authority’s Request for Proposal for Letters of Credit Facilities, Direct Placement Rate Notes and Revolving Credit Agreements, the Authority has received proposals from a number of different banks to enter into lines of credit, revolving credit agreements or other credit facilities, and based on a review of such proposals, the staff has recommended that the Authority enter into a revolving credit agreement with JP Morgan Chase for the purpose of a providing a source of funding for the capital, operating needs, and other of the Authority as set forth in the Amended and Restated Nineteenth Supplemental Electric System General Revenue Bond Resolution (the “Nineteenth Supplemental Resolution”); and

WHEREAS, on December 13, 2012, the Trustees adopted the Nineteenth Supplemental Electric System General Revenue Bond Resolution and on May 18, 2016, the Trustees approved the amendment and restatement thereof (as so amended and restated, the “Nineteenth Supplemental Resolution”) which authorized Electric System General Revenue Notes in an amount not to exceed \$500,000,000 outstanding at any one time; and

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. That the Board of Trustees hereby establishes a revolving credit agreement with JP Morgan Chase (the “Credit Agreement”) in a principal amount not to exceed \$350,000,000.
2. The payment obligation of the Authority under the Credit Agreement shall be evidenced by the issuance of Notes constituting senior lien obligations under the General Resolution, as provided in the Nineteenth Supplemental Resolution.
3. That the Chief Executive Officer, Chief Financial Officer, General Counsel, Secretary and Controller be, and each of them hereby is, authorized to approve, execute and deliver, under the seal of the Authority if required, the Credit Agreement and such other agreements, certificates and other instruments and to do any and all acts necessary or proper for carrying out and implementing the terms of, and the transactions contemplated by this resolution and each of the documents authorized thereby and hereby.
4. This resolution shall take effect immediately.

Dated: November 14, 2018