

**BOARD AGENDA SUMMARY SHEET**

<b>Committee or Board:</b> Board	<b>Date:</b> January 24, 2020	<b>Board Meeting Date:</b> February 6, 2020
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**For All Board Voting Items:**

**Title of Agenda Item:** Authorizations Related to Letters of Credit and Other Bank Products

**Consent Agenda:** Yes No

**Accompanying Presentation:** Yes No

**Recommendation from Committee:** N/A  F&A;  GP&P;  Oversight & REV

**LIPA Presenter:** Kenneth Kane

**PSEG Long Island Presenter:** N/A

**For Finance Approval Items Only:**

**Budget** ; **Plan of Finance** ; **Tariff Changes** ; **Other**  (describe below)

<b>Requested Action:</b>	The Board of Trustees of the Long Island Power Authority is requested to adopt a Resolution authorizing certain actions relating to Letters of Credit and other bank products, as described below.
<b>Summary: (include proposed amendments to Board Policies, if applicable)</b>	<p>The Authority issued a Request for Proposal for Letter of Credit Facilities and Direct Placement Agreements (the “Bank Facility RFP”) that was sent to 22 institutions in November 2019. Eight proposals were received. A selection committee consisting of three Authority staff, with the assistance of the Authority’s financial advisor, reviewed these proposals and concluded that the Authority should accept the LOC proposals from Bank of America, N.A. for \$300 million and Barclays Bank PLC for \$250 million. The committee further recommended that (i) the current letter of credit facility with Barclays Bank, PLC be increased from \$100 million up to the \$250 million currently being offered, (ii) the current letter of credit facility with TD Bank, N.A. be increased from \$200 million up to the \$350 million currently being offered, and (iii) the letter of credit facility with Citibank N.A. for \$100 million remain in effect.</p> <p>Additionally, the Authority entered into two “total return” interest rate swaps (the “Total Return Swaps”) with Wells Fargo, N.A. (“Wells Fargo”), on June 9, 2015, in connection with its Electric System General Revenue Bonds, Series 2015A-1 and Series 2015A-2 (the “Series 2015A Bonds”) which are held by Wells Fargo. The Total Return Swaps will terminate pursuant to their terms on June 29, 2020. The Authority issued a Request for Qualifications for Alternative Bank Products (the “Bank Products RFQ”) that was sent to our current pool of underwriters in November 2019. In response, Wells Fargo proposed to extend the termination date of the Total Return Swaps until a date no later than June 30, 2023, to lower the rate paid by the Authority, and for Wells Fargo Municipal Capital Strategies, LLC to continue to hold the Series 2015A Bonds.</p>

## **FOR CONSIDERATION**

February 6, 2020

**TO:** The Board of Trustees

**FROM:** Thomas Falcone

**SUBJECT:** Authorizations Related to Letters of Credit and Other Bank Products

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### **Requested Actions**

#### *Approval of Selection of Banks pursuant to Request for Proposals.*

The Authority has various Letter of Credit (“LOC”) facilities supporting its outstanding General Revenue Notes, which expire between May 1, 2020 and October 2023.

The Authority issued a Request for Proposal for Letter of Credit Facilities and Direct Placement Agreements (the “Bank Facility RFP”) that was sent to 22 institutions in November 2019. Eight 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 LOC proposals from Bank of America, N.A. for \$300 million and Barclays Bank PLC for \$250 million. The committee further recommended that (i) the current letter of credit facility with Barclays Bank, PLC be increased from \$100 million up to the \$250 million currently being offered, (ii) the current letter of credit facility with TD Bank, N.A. be increased from \$200 million up to the \$350 million currently being offered, and (iii) the letter of credit facility with Citibank N.A. for \$100 million remain in effect.

The Authority will be entering into new agreements with such banks, which agreements will be substantially similar to the agreements previously entered into by the Authority in relation to other letters of credit supporting its General Revenue Notes, and will be amending certain of its currently existing agreements. The existing agreements with U.S. Bank National Association and Royal Bank of Canada would be terminated.

The new agreements and amendments will require the execution of new or amended offering memorandums or other disclosure documents, Issuing and Paying Agency Agreements, Dealer Agreements, and other instruments.

#### *Approval of the Extension of the Total Return Swaps with Wells Fargo.*

The Authority entered into two “total return” interest rate swaps (the “Total Return Swaps”) with Wells Fargo, N.A. (“Wells Fargo”), on June 9, 2015, in connection with its Electric System General Revenue Bonds, Series 2015A-1 and Series 2015A-2 (the “Series 2015A Bonds”) which are held by Wells Fargo. The Total Return Swaps will terminate pursuant to their terms on June 29, 2020.

The Authority issued a Request for Qualifications for Alternative Bank Products (the “Bank Products RFQ”) that was sent to our current pool of underwriters in November 2019. In

response, Wells Fargo proposed to extend the termination date of the Total Return Swaps until a date no later than June 30, 2023, to lower the rate paid by the Authority, and for Wells Fargo Municipal Capital Strategies, LLC to continue to hold the Series 2015A Bonds.

The extension of the Total Return Swaps will require the amendment of existing swap confirmations or the execution of new confirmations. The Authority may also enter into amendments to certain agreements relating to the Series 2015A Bonds.

### **Recommendation**

Based upon the foregoing and the recommendation of the Finance and Audit Committee, I recommend that the Trustees adopt the attached resolutions.

### **Attachments**

**Exhibit “A”** Resolution Approving the Selection of Certain Banks, the Extension of the Total Return Swaps and Approving Certain Related Agreements

**RESOLUTION APPROVING THE SELECTION OF CERTAIN BANKS, THE EXTENSION OF THE TOTAL RETURN SWAPS AND APPROVING CERTAIN RELATED AGREEMENTS**

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**WHEREAS**, on May 13, 1998 Long Island Power Authority (the “Authority”) adopted its Electric 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 for any lawful purpose of the Authority; and

**WHEREAS**, pursuant to the Authority’s Request for Proposal for Letter of Credit Facilities and Direct Placement Agreements (the “Bank Facilities RFP”), the Authority has received proposals from a number of banks to enter into credit facilities or to issue letters of credit in support of the Authority’s bonds and notes and, based on such proposals, the staff selection committee has recommended that the Authority accept proposals (i) from Bank of America, N.A. to provide letter of credit support for \$300 million of the Authority’s General Revenue Notes (the “Revenue Notes”), (ii) from Barclays Bank PLC to increase its letter of credit support for the Revenue Notes from \$100 million to \$250 million, and (iii) from TD Bank, N.A. to increase its letter of credit support for the Revenue Notes from \$200 million to \$350 million (such proposals being referred to hereinafter as the “Selected Proposals” and the banks making such proposals are referred to hereinafter as the “Selected Banks”), and that the \$100 million letter of credit facility with Citibank N.A. for \$100 million supporting the Revenue Notes remain in effect; and

**WHEREAS**, pursuant to the Authority’s Request or Qualifications for Alternative Bank Products (the “Bank Products RFQ”), the Authority received a proposal from Wells Fargo, N.A. (“Wells Fargo”) to extend two existing “total return” interest rate swaps (the “Total Return Swaps”) which the Authority entered into with Wells Fargo on June 9, 2015, in connection with its Electric System General Revenue Bonds, Series 2015A (the “2015A Bonds”), on improved terms; and

**WHEREAS**, the General Resolution permits the Authority to enter into Financial Contracts (as defined therein), which include interest rate caps or collars and forward rate, future rate and certain swap agreements with Qualified Counterparties (as defined therein); and

**WHEREAS**, the Authority has determined that the use of such swap agreements is appropriate in certain circumstances but recognizes that certain risks can arise in connection with their use and the Authority has adopted guidelines (the “Guidelines”) for the use of such agreements in order to assure that such agreements are used for appropriate purposes and to assure that the risks potentially associated with such agreements are effectively managed and minimized; and

**WHEREAS**, the decision as to which specific strategy or strategies to be employed in connection with such interest rate swap agreements and the indices, formulae or

methods to be used in calculating payments to be made to the Authority or the counterparties will be made by the Chief Executive Officer or Chief Financial Officer, taking into account market conditions and the advice of the Authority's Financial Advisor, with the intention of lowering the effective rate of interest payable in connection with the Authority's indebtedness or mitigating risks associated with such indebtedness consistent with interest rate and other risk considerations;

**NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:**

1. The Trustees hereby approve the Selected Banks and the Chief Executive Officer, Chief Financial Officer, Vice President-Controller and Secretary (the "Authorized Officers") are each hereby authorized to enter into reimbursement or other agreements or amend existing reimbursement or other agreements with the Selected Banks or in connection with the Revenue Notes, which agreements shall be substantially similar to such agreements previously entered into by the Authority in relation to other letters of credit supporting Revenue Notes, with such changes and additions to and omissions from such prior agreements as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval.

2. The Chief Executive Officer or the Chief Financial Officer of the Authority are, and each of them hereby is, authorized to enter into new interest rate swap agreements relating to the 2015A Bonds with Wells Fargo or an affiliate thereof or amendments to the existing Total Return Swaps as such officers may select in accordance with the Guidelines, which agreements shall (i) commence on such date or dates as the Chief Executive Officer or the Chief Financial Officer specifies, (ii) have a term ending on or prior to the anticipated final maturity of the bonds to which they relate, as the Chief Executive Officer or the Chief Financial Officer specifies, (iii) provide for payments to the Authority determined based upon such index, formula or method as may be approved by the Chief Executive Officer or the Chief Financial Officer, and (iv) otherwise be in accordance with the Guidelines and substantially in the form of the existing Total Return Swaps, with such changes and additions to and omissions from such form as such authorized executing officer deems in his discretion to be necessary or appropriate, such execution to be conclusive evidence of such approval. In connection with the authorizations herein set forth, the Authority has determined, after consideration of the risks inherent in the use of interest rate swap agreements, including those outlined in the memo submitted to the Trustees in connection with the financing authorized hereby and the advice of the Authority's financial advisor relating to the use of the proposed interest rate swap agreements, that (a) the use of such interest rate swap agreements will, in the judgment of the Authority, result in lowering the effective rate of interest payable in connection with the Authority's indebtedness, (b) the risks of the proposed interest rate swap agreements are both manageable and reasonable in relation to the potential benefits; and (c) the proposed interest rate swap agreements are necessary or convenient in the exercise of the power and functions of the Authority under the Act.

3. Each Authorized Officer is hereby authorized and directed to execute and deliver any and all documents, including but not limited to the execution and delivery of one or more offering memorandums or other disclosure documents, Issuing and Paying Agency

Agreements, Dealer Agreements, agreements relating to the Series 2015A Bonds, and other instruments, and to do any and all acts necessary or proper for carrying out and implementing this resolution and each of the documents authorized hereby and each Authorized Officer shall be an Authorized Representative (as defined in the General Resolution) in connection with such matters.

4. This resolution shall take effect immediately.