

FOR CONSIDERATION

November 17, 2021

TO: The Finance and Audit Committee

FROM: Thomas Falcone

SUBJECT: Consideration of a Recommendation to Approve a Resolution Authorizing the Use of Up to \$30,000,000 from the Revenue Fund to Retire, Pay or Defeas Outstanding LIPA Bonds or Notes

Requested Action

The Finance and Audit Committee (the “Committee”) of the Board of Trustees (the “Board”) of the Long Island Power Authority (“LIPA” or the “Authority”) is requested to recommend the authorization of the use of up to \$30,000,000 (the “Authorized Amount”) currently held in the Revenue Fund for the purpose of retiring, redeeming or defeasing LIPA bonds or notes as described below.

Proposed Retirement of Authority Bonds or Notes

LIPA has various series of outstanding bonds and notes that may, depending on market conditions, be advantageously be retired or defeased.

The General Resolution permits LIPA to use amounts held in the Revenue Fund, and not needed for the payment of Operating Expenses or any of the other purposes mandated under the General Resolution, to be withdrawn and used for any lawful purpose of the Authority. Such purposes may include the purchase or redemption of any bonds, notes or other obligations of the Authority. Prior to such withdrawal, LIPA must determine that, taking into account, among other considerations, anticipated future receipts of Revenues and other moneys constituting part of the Trust Estate under the General Resolution, the Authorized Amount is not needed for Operating Expenses or for any of the other purposes specified under the General Resolution.

It is proposed that LIPA authorize the use of up to \$30,000,000 of Authority moneys (the “Authorized Amount”) currently held in the Revenue Fund to be applied to the payment, redemption or defeasance of its bonds or notes to the extent that the Chief Executive Officer or Chief Financial Officer determines that such payment, redemption or defeasance will lower debt service payable by the Authority or otherwise be advantageous. We have determined that the Authorized Amount is not required to be applied to the payment of any amounts required to be paid or to be otherwise applied in accordance with the General Resolution.

To the extent that LIPA has entered into interest rate swap agreements relating to any of the Authority’s bonds and notes which may be retired or defeased with moneys proposed to be withdrawn from the Revenue Fund it is anticipated that such interest rate swap agreements will either be reallocated to other bonds or notes of the Authority, assigned to or assumed by other counterparties, or terminated, as and to the extent determined by the Chief Executive Officer or Chief Financial Officer.

Recommendation

Based upon the foregoing, I recommend that the Committee recommend to the Board the adoption of the resolution attached hereto to permit the withdrawal of the Authorized Amount from the Revenue Fund for the purpose of retiring, redeeming or defeasing outstanding Authority bonds or notes.

Attachments

Exhibit "A" Authorizing Resolution Relating to the Redemption and Defeasance of Authorized Indebtedness

**AUTHORIZATION RELATING TO THE REDEMPTION AND DEFEASANCE OF
OUTSTANDING AUTHORITY INDEBTEDNESS**

WHEREAS, the Long Island Power Authority (the “Authority”) has various series of outstanding bonds and notes under its Electric System General Resolution, dated May 13, 1998, as amended (the “General Resolution”) that may, depending on market conditions, be advantageously be retired or defeased; and

WHEREAS, the Authority wishes to authorize the use of up to \$30,000,000 of Authority moneys (the “Authorized Amount”) to be applied to the redemption or defeasance of its bonds or notes to the extent that the Chief Executive Officer or Chief Financial Officer determines that such redemption or defeasance will lower debt service payable by the Authority or otherwise be advantageous; and

WHEREAS, the Authorized Amount is not required to be applied to the payment of any amounts required to be paid or otherwise applied in accordance with the General Resolution; and

WHEREAS, to the extent that the Authority has entered into interest rate swap agreements relating to any of the Authority’s bonds and notes which may be retired or defeased pursuant to this resolution it is anticipated that such interest rate swap agreements will either be reallocated to other bonds or notes of the Authority, assigned to or assumed by other counterparties, or terminated, as determined by the Chief Executive Officer or Chief Financial Officer; and

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The Chief Executive Officer and the Chief Financial Officer are each authorized to withdraw up to the Authorized Amount of Authority moneys from the Revenue Fund and apply the amount withdrawn to the retirement or defeasance of Authority bonds and notes to the extent that such officer shall determine that such retirement or defeasance will lower debt service payable by the Authority or otherwise be advantageous to the Authority. The Authority hereby determines, after taking into account, among other considerations, anticipated future receipts of Revenues and other moneys constituting part of the Trust Estate, that the Authorized Amount is not needed for any of the purposes set forth in subsection (a), of Section 505 of the General Resolution and that the Authorized Amount may therefore be withdrawn from the Revenue Fund in accordance with subsection (b) of such Section 505. Prior to any such withdrawal such officer shall confirm such determination. Upon withdrawal, the Authorized Amount may be applied by such officers to the payment of scheduled debt service of such bonds and notes, the redemption of such bonds and notes prior to maturity, the defeasance of such bonds and notes and/or the purchase and cancellation of such bonds and notes, pursuant to a tender offer or otherwise, as such officer shall determine.

2. Each of the Chief Executive Officer and the Chief Financial Officer is hereby authorized and directed to execute and deliver any and all documents, including, but not limited to, escrow agreements, tender agreements and any required disclosure documents and

instruments and to do and cause to be done any and all acts necessary or proper for carrying out the retirement or defeasance of any bonds or notes pursuant to this resolution.

3. As and to the extent that any Authority moneys are applied to the retirement or defeasance of bonds or notes of the Authority with respect to which there are existing interest rate swap agreements, the Chief Executive Officer and the Chief Financial Officer are each authorized to allocate such interest rate swap agreements to other outstanding Authority bonds or notes, or to terminate such agreements, as such officer may determine appropriate so as to permit the Authority to obtain the benefit of such interest rate swap agreements or to minimize the cost associated with the retirement or defeasance and, to the extent that such agreements are terminated, some or all of the costs of such termination may be funded with available Authority moneys, as determined by such officer. The Chief Executive Officer and the Chief Financial Officer are also hereby authorized to arrange for the assignment and assumption of any existing interest rate agreement to another counterparty or the amendment or termination of any such agreement, to the extent such officer determines any such assignment and assumption, amendment or termination to be advisable.

4. All terms used and not otherwise defined herein shall have the meaning set forth in the General Resolution.

5. This resolution shall take effect immediately.

Dated: November 17, 2021