



Agenda Item No. (6)

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of April 27, 2023

From: Alice Ng, Director of Fiscal Resources  
Joseph M. Wire, Auditor-Controller  
Denis J. Mulligan, General Manager

Subject: **AUTHORIZE EXECUTION OF AN EXTENSION TO THE  
COMMERCIAL PAPER LINE OF CREDIT AGREEMENT WITH  
JPMORGAN CHASE BANK**

### **Recommendation**

The Finance-Auditing Committee recommends that the Board of Directors authorize the execution of an extension of the Line of Credit (“Agreement”) with JPMorgan Chase Bank (“JPMorgan”), for the Commercial Paper Program (“CP Program”), at a cost of 0.43% per annum, for a total cost of approximately \$666,000, for the period of June 29, 2023, through June 29, 2025.

This matter will be presented to the Board of Directors at its April 28, 2023, meeting for appropriate action.

### **Summary**

The terms of the Golden Gate Bridge, Highway and Transportation District’s (“District”) CP Program require that a line of credit agreement be in place during the course of the program. This is to assure creditors that there are sufficient funds to repay principal and interest in full upon each maturity date in the event that the remarketing agents cannot find new investors to “roll-over” the CP notes in a timely fashion.

From the inception of the CP Program, JPMorgan has been selected as a cost-effective way to satisfy this liquidity requirement. JPMorgan was originally selected and continues to be selected because it is a world leader in providing financial liquidity agreements for public sector entities like the District. JPMorgan still remains one of the stronger banks with a Standard & Poor’s long term debt credit rating of A+ as of March 2023.

As has been done with each year of the program, the District’s financial advisor, Public Financial Management, Inc. (“PFM”), surveys current market conditions and the results of recent credit Requests for Proposals (RFP) put out by similar public entities to determine the market rate. Staff takes that information, as well as other costs relative to the overall CP Program, to negotiate terms with JPMorgan.

For this 2023 renewal, the District negotiated with JP Morgan for a renewal at a cost of 0.43% per annum for a two-year period, effective June 29, 2023, through June 29, 2025, at an annual cost of approximately \$333,000, or \$666,000 for the two-year period. This is an estimated decrease of \$69,000 annually from the current Agreement which is at 0.52% per annum. Staff explored the option of securing a 1-year, 2-year, and a 3-year facility with JPMorgan. PFM’s market survey indicated that the 2-year facility option offered was reasonable and would still provide future financing flexibility to coincide with the timing of the Seismic Retrofit Project Phase 3B Construction. Therefore, staff concluded that a 2-year renewal would be most appropriate.

The table below is a history of each renewal’s pricing. Pricing peaked at 1.305% per annum for the 2009 renewal (reflective of the Great Recession) and came down the next year to 0.78%. The stress put on the liquidity market amidst the COVID-19 environment that the District confronted during the 2021 renewal (0.825% per annum) lessened resulting in a decrease in pricing from 0.52% per annum during the last renewal to 0.43% for this year’s renewal.

<b>Commencing</b>	<b>Expiring</b>	<b>Annual Fee Rate</b>	<b>Annual Commitment Fee</b>
7/1/2000	7/11/2001	0.170%	\$ 130,000
7/12/2001	7/10/2002	0.200%	\$ 155,000
7/11/2002	7/9/2003	0.200%	\$ 155,000
7/10/2003	7/7/2004	0.230%	\$ 178,000
7/8/2004	7/6/2005	0.255%	\$ 198,000
7/7/2005	7/6/2008	0.200%	\$ 155,000
7/7/2008	7/5/2009	0.325%	\$ 252,000
7/6/2009	7/4/2010	1.305%	\$ 1,009,000
7/2/2010	7/1/2011	0.780%	\$ 603,000
7/2/2011	6/28/2012	0.670%	\$ 518,000
5/31/2012	5/29/2014	0.650%	\$ 503,000
5/30/2014	6/30/2016	0.470%	\$ 364,000
7/1/2016	6/28/2018	0.500%	\$ 387,000
6/29/2018	6/29/2020	0.430%	\$ 333,000
6/30/2020	6/29/2021	0.825%	\$ 638,000
6/30/2021	6/29/2023	0.520%	\$ 402,000
6/30/2023	6/29/2025	0.430%	\$ 333,000

**Fiscal Impact**

Renewal of the agreement as recommended would cost approximately \$666,000 over the two-year term of agreement, or an annual cost of approximately \$333,000, which is an estimated annual cost decrease of \$69,000 from the previous year. There is adequate funding in the proposed FY 23/24 operating budget relative to the Commercial Paper Program and annual costs will be subsequently budgeted in future years.