



## Staff Report Item 12

**TO:** East Bay Community Energy Board of Directors  
**FROM:** Howard Chang, Chief Operating Officer & Treasurer  
**SUBJECT:** Amendment to Barclays Revolving Credit Agreement  
**DATE:** December 18, 2019

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### **Recommendation**

Adopt a Resolution authorizing the Chief Executive Officer to execute an amendment to the Revolving Credit Agreement with Barclays Bank PLC to increase the cash borrowing capacity and increase the letter of credit capacity.

### **Background and Discussion**

Currently, EBCE has a \$50 million credit facility (the “facility”) with Barclays Bank PLC (Barclays), executed on March 15, 2018 and amended on August 1, 2019. The facility has a cash borrowing capacity of \$25 million and a letter of credit (LC) capacity of \$30 million. Currently, EBCE has no outstanding cash balance on this facility.

Staff is proposing to increase the facility to a total of \$80 million with a \$60 million cash capacity and a \$35 million LC capacity. The current market conditions are very favorable in light of strong results from the 2018-2019 fiscal year. An increase in the credit facility will provide increase cash for working capital purposes and improve EBCE’s liquidity metrics, which are viewed favorably by the credit rating agencies. The current cash borrowing rate is LIBOR plus 2.50%. With the proposed increase in size, this rate will stay the same for borrowings up to \$25 million and will increase to LIBOR plus 2.65% for any draw above that amount. The LC rate at 1.75% and the undrawn commitment fee at 0.95% will remain unchanged.

In addition to the increase of available borrowing capacity, EBCE will also be required to hold 10% of outstanding balance above \$25 million on the cash borrowing sub-facility in reserves. Currently, the Revolving Credit Agreement requires EBCE to hold a fixed amount of \$7 million in a reserve account for the facility. At the maximum cash draw of \$60 million, an additional \$3.5 million would be required to be held in reserves.

With the increase in capacity, the term of the agreement would also be extended to three years from the signing date. Currently, the cash portion of the agreement is set to expire May 15, 2021. With the approval of this amendment, the new sunset date would be approximately December 19, 2022 with the exact date being established at the day of the execution of the agreement. The original RFP sought a credit facility for up to 5 years and up

to \$60,000,000. The proposed changes would maintain a duration shorter than 5 years, but would exceed the original facility size. Staff recommends moving forward with this amendment with Barclays without issuing a new RFP in order to move quickly under favorable market conditions. Per the Procurement Policy, staff received approval from the Chair and Vice-Chair of the board to move forward with approval of this amendment without requiring the issuance of a new RFP.

### **Fiscal Impact**

Terms & conditions of the proposed changes are provided in the attached Amendment Agreement, and details regarding interest rates, fees, and proceeds are summarized herein to comply with California Government Code Section 5852.1, requiring such presentation to the board.

- A. Interest cost per annum:
  - a. 1.75% for issued LC's (without draws made by the LC holder)
  - b. LIBOR + 2.50% for cash draws and LC draws not reimbursed on the same day if the overall balance against the facility is less than \$25 million
  - c. LIBOR + 2.65% for cash draws and LC draws not reimbursed on the same day if the overall balance against the facility is greater than \$25 million
  - d. 0.95% commitment fee for undrawn amounts of the facility
- B. Finance charges to third parties: Estimated to total \$75,000 to cover costs such as counsel, recording, and issuance fees
- C. Proceeds: Maximum gross proceeds are \$80,000,000 for a fully utilized facility. Because this is a revolving credit facility this amount may be lower and fluctuate at any time up to a maximum of \$80,000,000.
- D. Total Payment amount:
  - a. Based on a maximum draw amount of \$80,000,000 for the remaining duration of the facility through December 2022, then with a maximum unreimbursed draw on the letter of credit of \$35,000,000 through July of 2024, total payment amount accounting for interest and finance charges is estimated at \$9,700,000 based on an assumed LIBOR of 2.25%. Total payment under these assumptions, including principal repayment, is estimated at \$89,700,000.
  - b. Based on an average loan balance of \$10,000,000 in cash through December of 2022, and \$10,000,000 in issued, drawn and unreimbursed LC through July of 2024, total payment amount accounting for interest, finance charges, and commitment fees is estimated at \$2,400,000 based on an assumed LIBOR of 2.25%. Total payment under these assumptions, including principal repayment, is estimated at \$22,400,000.

### **Attachments**

- A. Amendment Agreement to Barclays Revolving Credit Agreement
- B. Resolution authorizing the CEO to execute the Amendment Agreement