

2023 Tax-Exempt Line of Credit (LOC) Facility

 ACTION ITEM
 New Contract
 Contract Amendment
 Other _____

 CONSENT ITEM
 Contract Amendment
 Existing Contract Extension
 Existing Contract Additional Spend
 Previous Board Approval _____

 Other _____

Action Items: Items requiring detailed explanation to the Board. When a requested action item is a day-to-day operational item or unanimously passed through committee it may be moved forward to the board on the Consent Index.

- Move forward as Consent:** This Action item is a day-to-day operational item, unanimously passed through committee or qualifies to be moved forward on the Consent Index.

Consent Items: Items not requiring detailed explanation to the Board of Governors. Consent items are contract extensions, amendments or additional spending authorities for items previously approved by the Board.

Item Description	2023 Tax-Exempt Line of Credit (LOC) Facility
Purpose/Scope	Citizens' projections for the 2023 storm season indicate the Personal Lines Account (PLA) lacks sufficient funds to meet the Florida Hurricane Catastrophe Fund (FHCF) retention. To ensure that Citizens can pay PLA claims in a timely manner, it has structured a liquidity facility through a 364-day revolving line of credit (LOC).
Contract ID	2023 Tax-Exempt Line of Credit (LOC) Facility Contract number, if applicable Recommended vendor, if applicable
Budgeted Item	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

2023 Tax-Exempt Line of Credit (LOC) Facility

	<p>The PLA 2023 line of credit (LOC) provides liquidity for an amount not to exceed \$1.25 billion. It will be structured as a typical revolving line of credit with two providers:</p> <p>Bank of America -- up to \$750 million and Wells Fargo -- up to \$500 million.</p> <p>Should draws be made, Citizens would likely repay the money from the Citizens Policyholder Surcharge and an Emergency Assessment while FHCF reimbursements are also pledged if losses reach the FHCF attachment point. In addition, net premiums of the PLA are pledged in the event of a Citizens default.</p> <p><u>Post-Draw Costs</u></p> <p>While outstanding, any draws on the facility would bear interest based on a spread of 50 basis points plus 80% of the Secured Overnight Financing Rate (SOFR). As of May 12, 2023, the SOFR was 5.05%, which translates to a rate of 4.54%. This would result in quarterly payments of \$2.8 million for every \$250 million drawn.</p> <p>Once draws are repaid, Citizens will have the ability to draw down on the LOC again for one year from the date of execution, through approximately June 30, 2024. Any draws must be repaid in full no later than two years after the date of execution, approximately June 30, 2025.</p> <p><u>Pre-Draw Costs</u></p> <p>There is a commitment fee that is payable at closing and an unused facility fee payable quarterly in arrears in a total amount of 33.5 basis points. Other pre-draw costs, including legal, trustee, and financial advisory fees, total an amount not to exceed 5 basis points. The total pre-draw costs will not exceed \$4.8 million.</p>
Procurement Method	N/A
Contract Amount	The pre-draw cost to Citizens for the PLA 2023 tax-exempt LOC facility will be \$4.8 million. If utilized, the cost will be higher and depends on the SOFR at the time of draw as SOFR resets daily.
Contract Terms	The contract term is for one year.

Board Recommendation (DOES NOT go through Committee)	<p>Citizens' Staff proposes that the Board of Governors:</p> <ol style="list-style-type: none"> Approve the recommendation to utilize a tax-exempt LOC facility for PLA for the 2023 storm season, with pre-draw costs of \$4.8 million; and Authorize staff to take any appropriate or necessary action consistent with this Action Item.
Contacts	Jennifer Montero, Chief Financial Officer