

Gainesville Regional Utilities Debt Profile & Proposed Financings December 2014

Item #140524
December 4, 2014



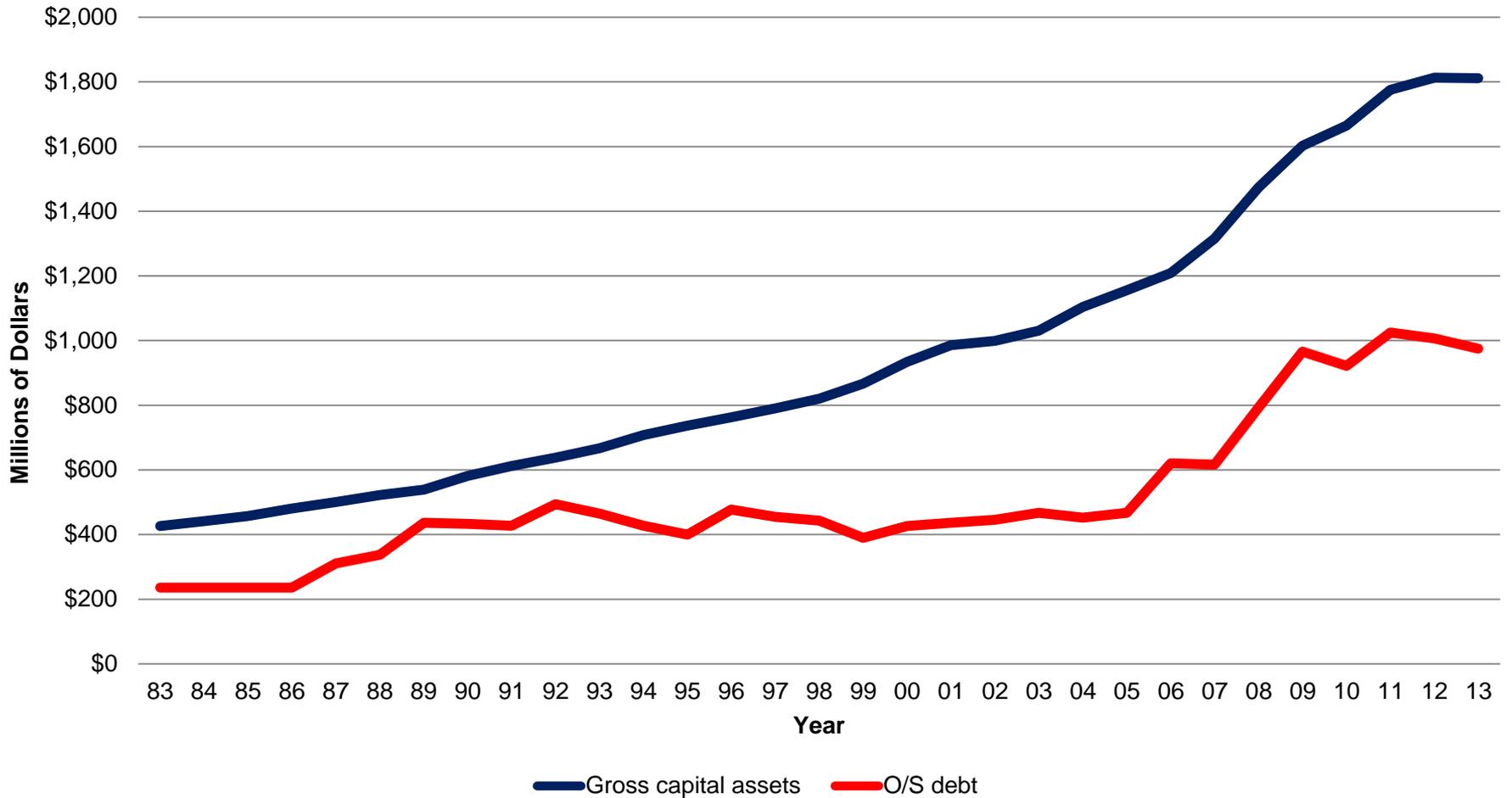
GREC Purchased Power Agreement Accounting Treatment

GREC Power Purchase Agreement Accounting Treatment

- Staff, external auditors, and third-party independent review have concluded that the GREC agreement constitutes a capital lease
- The accounting treatment for a capital lease requires an asset and a liability be recorded on the balance sheet for the same initial value
- The capital lease will result in:
 - Significant increase to GRU's liabilities and assets
 - No change impact on net position

CURRENT OUTSTANDING DEBT

Trend in the Relationship of Gross Capital Assets to Outstanding Debt

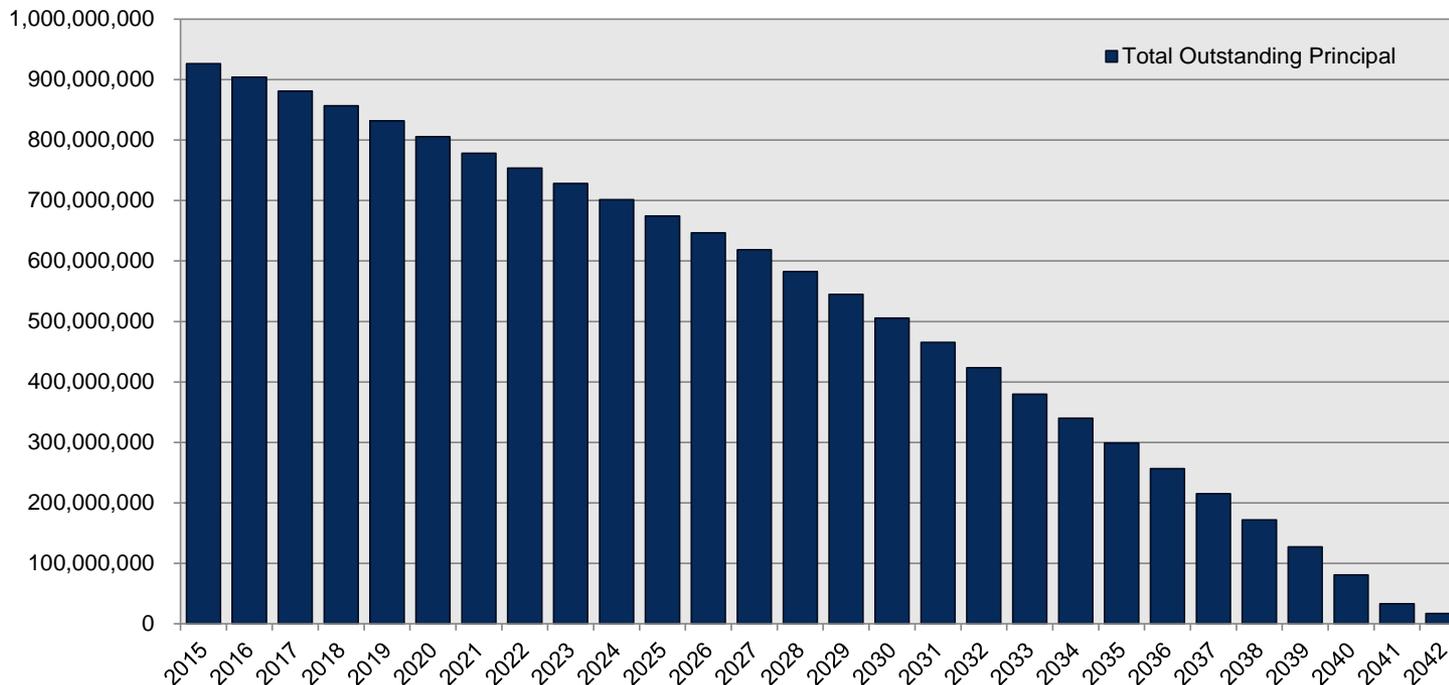


Debt Management

Principal Balance Declines Steadily

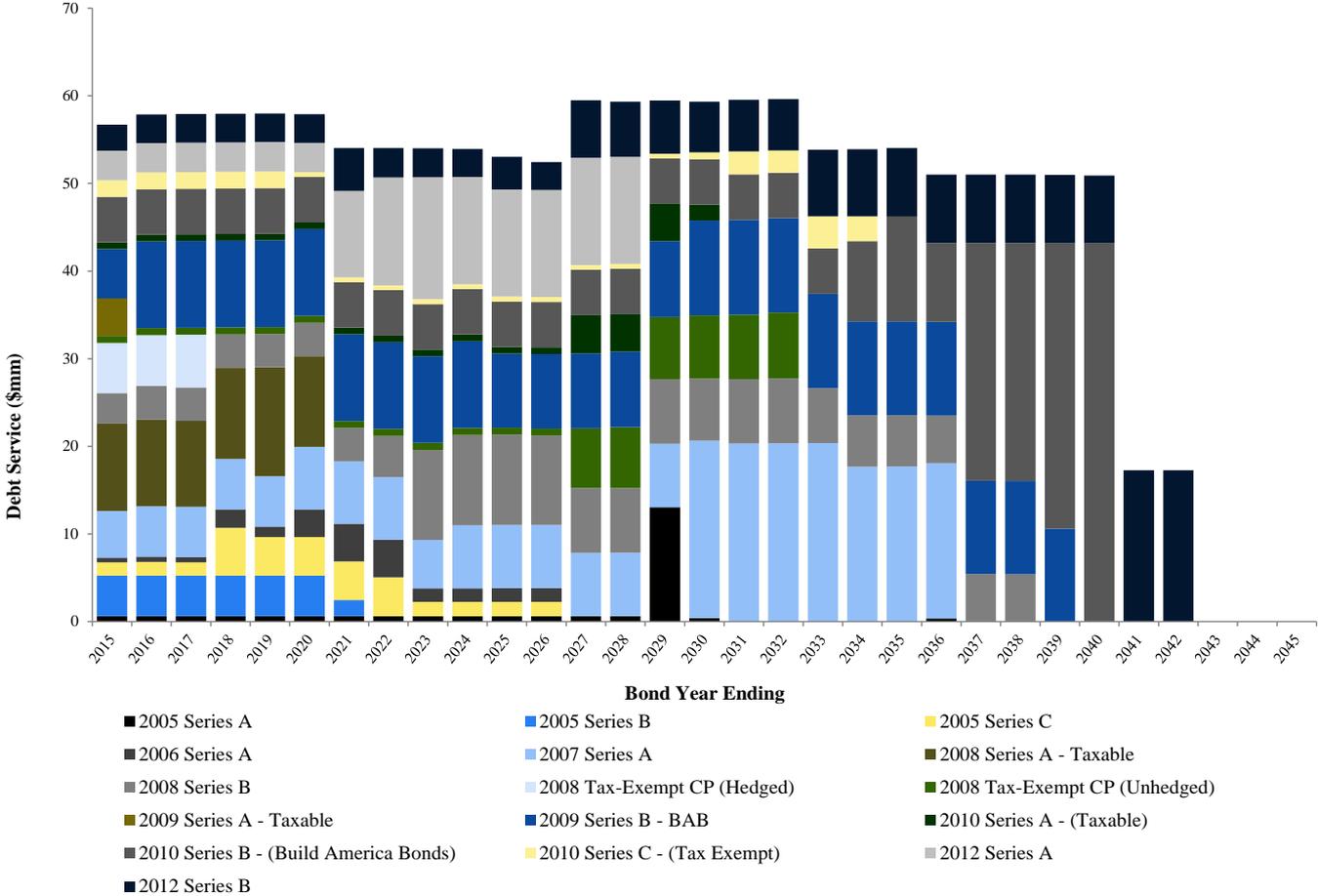
- Roughly 24% of presently outstanding principal amortizes in next 10 years (2015-2024), with another 39% amortizing in the following 10 years (2025-2034)

Declining Principal Balance



Debt Management

Current Debt Service Structure



Includes Commercial Paper and Net of Build America Bonds Subsidy (Assumed 35%)



Proposed Financings December 2014

Proposed Financings

- Series 2014A \$46 million
 - New money issue
- Commercial Paper Issue \$8 million
 - New money to finance GRUCom capital projects
- Series 2014B \$37 million
 - Advance refunding of 2005A
 - Partial refunding of 2008A

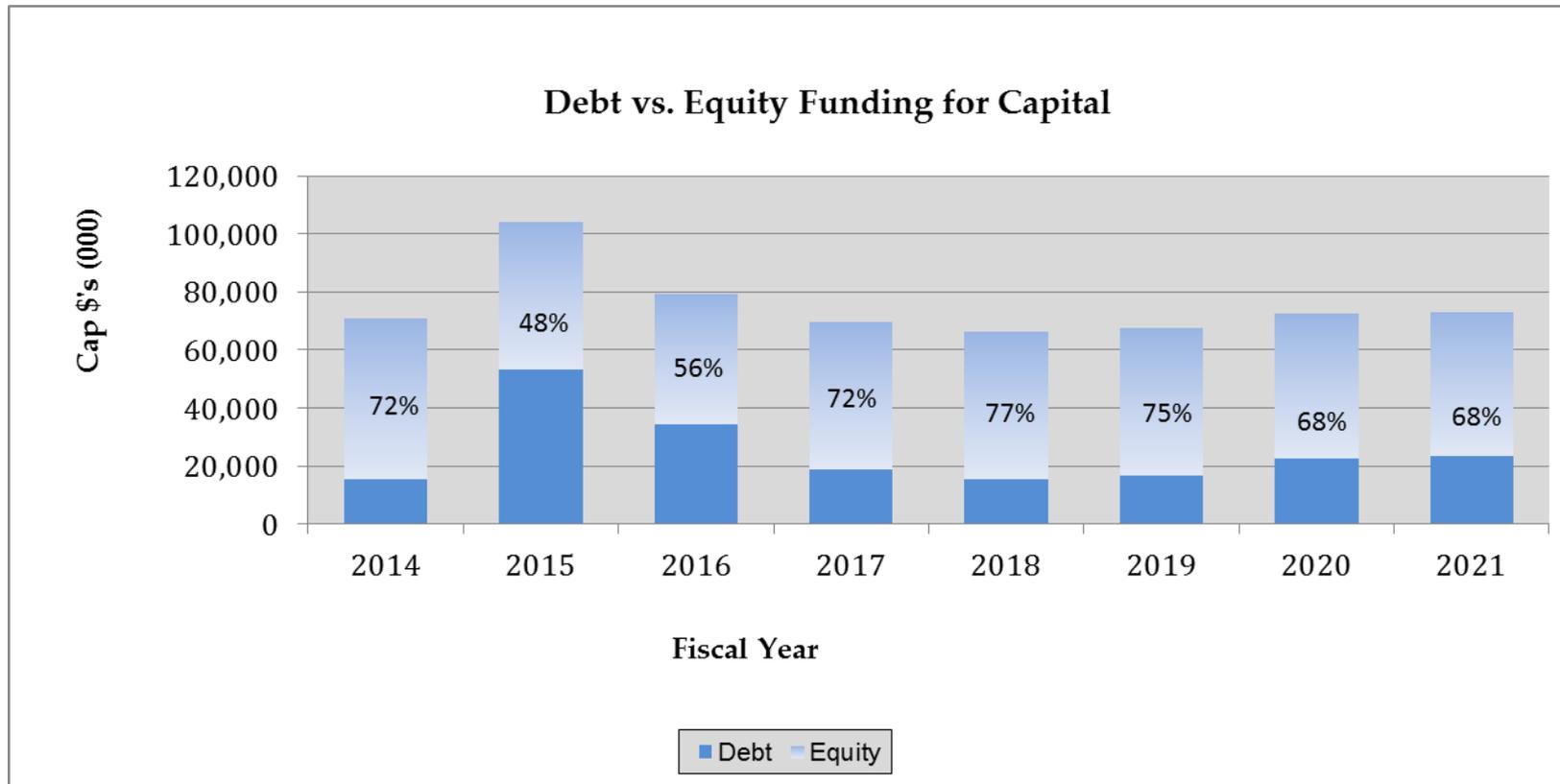
Series 2014A \$46 Million

- FY2015 Budget Presentation
 - Bond Issuance in early 2015
 - Providing details of Bond Issuance
- Proposing \$46 million based on actual 2014 expenditures
- Fixed rate debt

Series 2014A \$46 Million

- Moving issue up to December 2014 to take advantage of favorable interest rate environment
- Potential 15 basis points savings from earlier issue date
- \$64,500 per year in debt service savings = \$1.93 million in savings over life of the bond

Debt vs. Equity: Funding Capital



Commercial Paper Issue \$8 Million

- Identified capital needs in GRUCom system during FY2015 budget
- Taxable debt will fund capital needs
- Proposing \$8 million Commercial Paper Issue

Series 2014B \$37 Million

- Proposal is to advance refund \$13.1 million of final three outstanding maturities of Series 2005A bonds
- Fixed rate debt
- Total gross savings \$1.76 million, total present value savings \$1.37 million

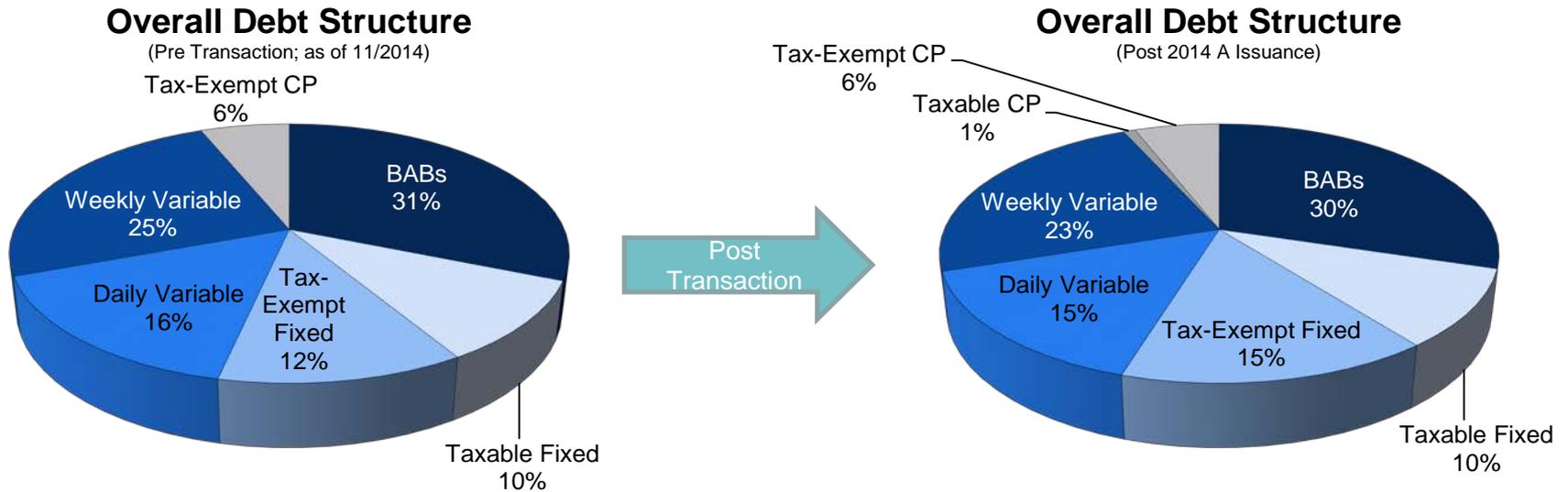
Series 2014B \$37 Million

- Proposal is to refund \$19.9 million, a portion of outstanding maturities of Series 2008A bonds
- Fixed rate debt
- Total gross savings of \$261,000, present value savings of \$251,000 based on currently estimated interest rates

Debt Management

Low-Cost Fixed & Prudent Variable

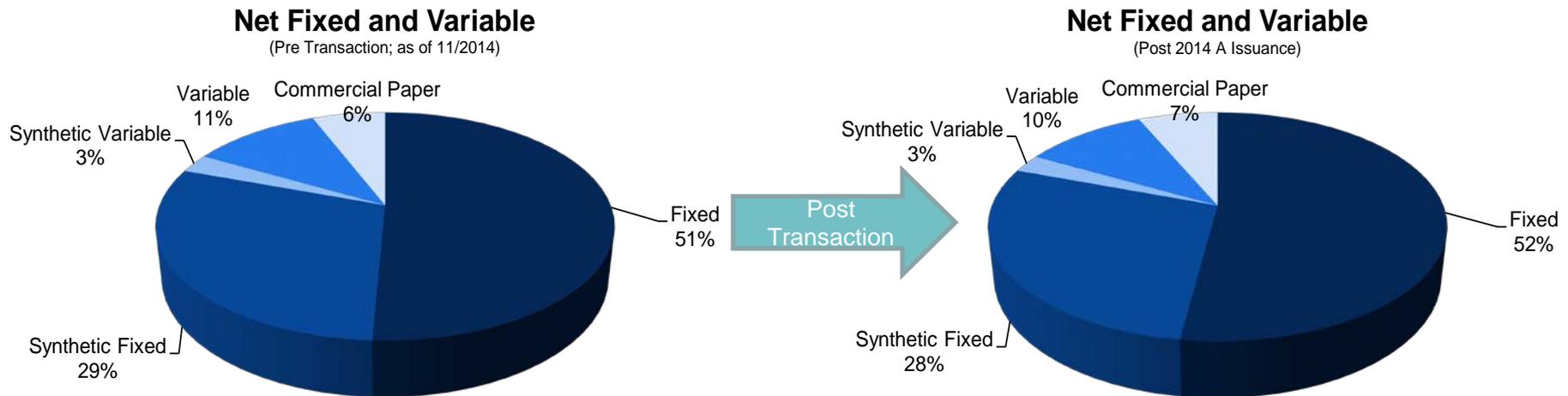
- GRU's overall debt structure remains rooted in a majority of fixed rate bonds



Debt Management

Low-Cost Fixed & Prudent Variable

- Fixed and synthetically fixed debt account for 82% of total debt



Recommendations

- Staff, in summary, is asking the City Commission to approve the resolution (Authorizing Resolution) as drafted in the agenda item