

2019 SERIES TRANSACTION

February 2019



2019 Series Transaction

Series A

- Approximately \$159.4 million issue
- \$73 million for funding capital projects in fiscal years 2019 and 2020
- \$23 million will replenish Utility Plant Improvement Fund (UPIF) reserves which were used to fund projects in FY18
- \$85 million will convert GRU's currently outstanding tax-exempt short term commercial paper to long term bonds
 - Allows GRU to better address unexpected emergencies and contingencies
 - Improves risk profile by reducing unhedged variable rate debt
 - Develops better match between GRU's cash and investment balances and outstanding unhedged variable rate debt
 - Improves liquidity metrics

2019 Series Transaction Series B (Taxable)

- Approximately \$27.1 million issue
- Generates \$8 million in new proceeds to GRUCom capital projects over the next several years
- Converts \$8 million of currently outstanding GRU taxable commercial paper previously used for GRUCom projects to long term bonds
- Refunds \$10.1 million of currently outstanding Series 2005B bonds maturing in FY19-FY21

2019 Series Transaction Upcoming Series C

- Variable rate issue would provide approximately:
 - \$10M to fund capital projects
 - \$57M to refund certain maturities of currently outstanding variable rate bonds
- If approved by the City Commission, savings from restructuring will bolster Rate Stabilization Fund balances
- Anticipated to come before UAB for consideration at their March 14th meeting and the City Commission at their March 21st meeting.

Municipal Market Overview

- The municipal bond market is typically accessed by issuers (like GRU and the City) to fund their capital needs and refinance/restructure their existing debt. Similar to a homeowner...
 - Getting a new mortgage on a house
 - Refinancing an existing mortgage (reduce monthly payment)
- In 2019, it is expected that over \$350 billion in municipal bonds will be issued
 - ~75% will be for new capital needs
 - ~25% will be for refinancing needs
- In any given week, about \$7 billion in municipal bonds are sold
 - The planned GRU transaction represents a small (less than 3%) amount of the average weekly issuance
 - Transactions range in size from under \$1 million to over \$1 billion

Municipal Market Overview

Who buys municipal bonds?



Municipal Market Overview: A Dynamic Market

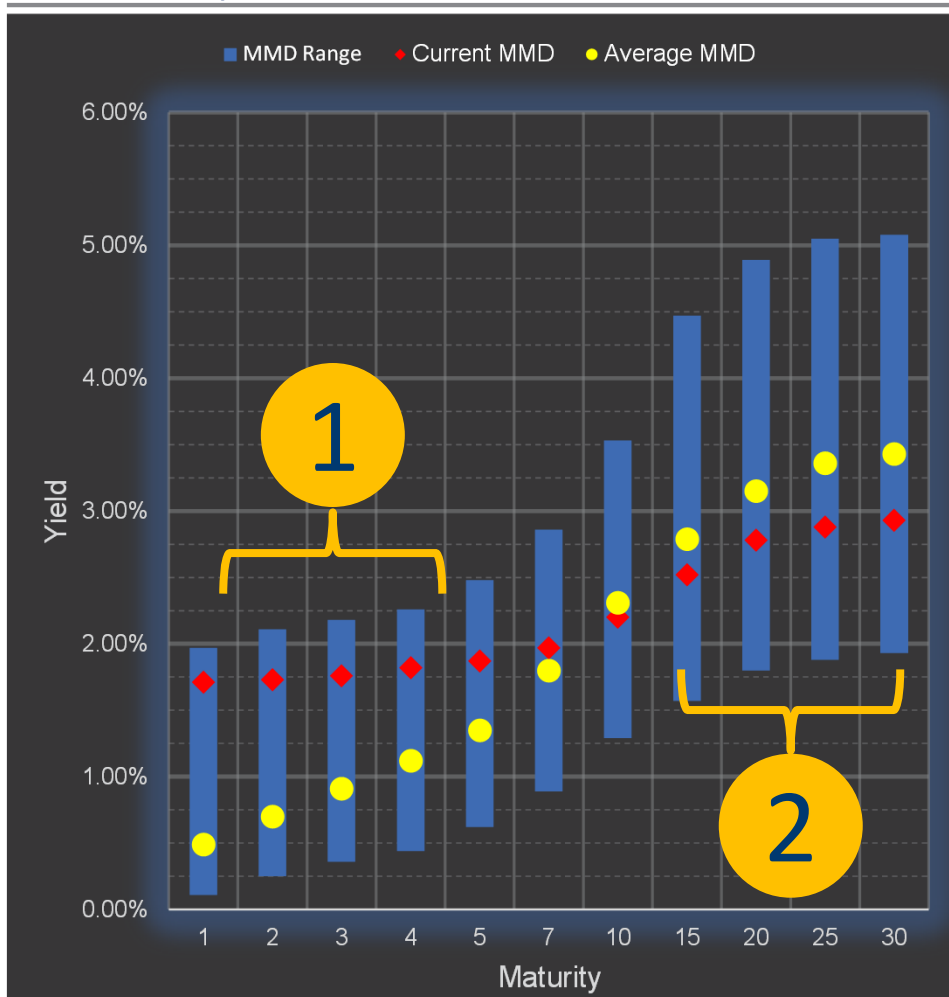
Interests rates that impact GRU's (*and your*) borrowing costs change constantly...



Changing around the clock...around the world

Municipal Market Overview: Current Market Rates

Municipal Rates over the Past Decade



1 Short Term Rates are high, above their 10 year average and expected to go higher

2 Long Term Rates have remained stable and are below their 10 year average

Conclusion: It is a good time to transition GRUs Commercial Paper (short term rates) to Long Term Bonds