

City of Gainesville

City Hall
200 East University Avenue
Gainesville, Florida 32601



Meeting Agenda

April 14, 2022

6:30 PM

City Hall Auditorium

Utility Advisory Board

Barry Jacobson (Member)

Carla Lewis (Member)

Theresa Spurling-Wood (Non-Voting Member)

Tim Rockwell (Member)

Fletcher Crowe (Member)

Jason Fults (Member)

Daniel Morse (Member)

Charles Covey (Member)

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CALL TO ORDER**ROLL CALL****ADOPTION OF CONSENT ITEMS**

[211095.](#) **Minutes of the UAB's March 10, 2022 Regular Meeting and March 22, 2022 Workshop (B)**

Explanation: Staff has prepared minutes from the UAB's March 10, 2022 regular meeting and March 22, 2022 workshop.

Fiscal Note: None.

RECOMMENDATION *Approve minutes as drafted.*

[211095 UAB 3-10-22 Meeting Minutes 20220414](#)

[211095 UAB 3-22-22 Workshop Minutes 20220414](#)

ADOPTION OF THE AGENDA**CITIZEN COMMENT****STATE OF THE UTILITY**

[211094.](#) **GRU Operational Update for the Month of March 2022**

Explanation: Staff has prepared a report of statistical and other data for GRU's operations in the month of March 2022.

Fiscal Note: None.

RECOMMENDATION *Receive report.*

[211094 GRU March2022 Ops Update 20220414](#)

OLD BUSINESS**NEW BUSINESS**

[211096.](#) **Resolution Authorizing the Issuance of the 2022 Series B Bonds to Refund All Outstanding 2007 Series A and 2008 Series B Bonds and to Terminate Certain Interest Rate Swaps Currently Hedging the 2007A**

and 2008B Bonds (B)

Explanation: The GRU financing team, which consists of BFA staff, our financial advisor, bond counsel, and disclosure counsel receives, reviews and evaluates financial transaction proposals on a regular basis. As we identify proposals that can add value to our debt portfolio we bring them forward to the City Commission for consideration.

This is the case for the transaction we are proposing today. This transaction will:

- Refund \$203,550,000 in outstanding variable rate 2007 Series A bonds and 2008 Series B bonds through issuance of \$239,315,000 in fixed rate 2022 Series B bonds
- Terminate \$222,170,000 in fixed rate to floating interest rate swaps which currently hedge the outstanding 2007 Series A and 2008 Series B bonds. These swaps were entered into back when the bonds were issued as they offered a lower borrowing rate compared to issuing fixed-rate bonds.

The potential benefits of this transaction come through:

- Since all of the outstanding variable rate 2007 Series A and 2008 Series B bonds will refunded, it will no longer be necessary to maintain the liquidity facilities which support these issues. Terminating these liquidity facilities will result in an annual savings of just over \$1.29 million. This reduction drives the overall annual average debt service expense reduction of this transaction.
- Reducing annual debt service expense by an average of approximately \$198,000 over the period 2022 through 2038
- Reducing portfolio risk through the issuance of fixed rate debt for outstanding variable rate debt. The result of this transaction will be to increase the percentage of fixed rate debt in the portfolio from 62.3% to just under 75%.
- Reducing the complexity of the portfolio and counterparty risk through terminating the interest rate swaps hedging the 2007A and 2008B variable rate bonds. Termination of the swaps will move GRU's mark-to-market swap position (as of 4/5/2022) from a negative (\$8,841,442) to a positive \$23,240,936.
- Taking advantage of low market interest rates that appear to be heading higher over the course of the year based on Federal Reserve actions and comments.

Fiscal Note: The transaction will reduce:

- Annual debt service expense by an average of approximately \$198,000 over the period 2022 through 2038.

RECOMMENDATION

The Utility Advisory Board recommend that the City Commission approve the resolution authorizing the issuance of the 2022 Series B bonds to refund outstanding 2007 Series A bonds and 2008 Series B bonds, and to terminate certain interest rate swaps hedging these bonds, subject to the approval of the City Attorney as to form and legality.

[211096 Resolution 2022 Series B 20220414](#)

[211096 2022 Series B Bonds Presentation 20220414.](#)

[211097.](#)

Resolution Authorizing the Extension of the \$50 Million Taxable Line of Credit with Truist Bank (B)

Explanation: The Truist taxable revolving line of credit provides the utility a low cost source of additionally liquidity to fund operating costs to assist in the financial management of unforeseen events. It contributes to balancing the utility's sources of available liquidity between capital projects and operating costs, and is looked upon favorably by rating agencies and prospective investors.

The current \$50 million line of credit from Truist expires in April. We have reached agreement with the bank on a three year extension on essentially the same terms as the current agreement, with the following exceptions:

- Adjusting the index on the rate for drawdowns from LIBOR to SOFR based on the industry phase out of the LIBOR index*
- Reducing the credit spread on amounts advanced under the lines*

Fiscal Note: It is not anticipated that this line of credit will be utilized outside of unexpected financial circumstances. The recurring cost of the unused portion of the line of credit is 30 basis points based on the average unused amount of the facility in the prior quarter. Amounts drawn on the line will accrue interest at a variable rate equal to 30 day SOFR plus 62 basis points.

RECOMMENDATION

The Utility Advisory Board recommend that the City Commission approve the Supplemental Subordinated Utilities System Revenue Bond Resolution and thereby approve the extension of the \$50 million taxable line of credit with Truist Bank, approve the form of the Purchase Contract, and authorize the execution and delivery of certain amendments in connection therewith, subject to approval of the City Attorney as to form and legality.

[211097 Resolution Truist LOC Extension 20220414](#)

[211098.](#)

Resolution Authorizing the Issuance of Variable Rate Subordinated Utilities System Revenue Bonds, 2022 Series A and 2022 Series B (Federally Taxable) in an Aggregate Principal Amount Not To Exceed \$150,000,000 and Authorizing a Credit Agreement with Respect Thereto (B)

Explanation: GRU's liquidity structure is of critical import to our financial profile. Liquidity lines provide access to funds to address unforeseen financial events or to assist in short-term capital funding efforts. These programs

are central to maintaining GRU's financial and operational flexibility and is also viewed favorably by the rating agencies as it augments our "days cash and liquidity". We have strategically laddered our liquidity vehicles to provide funding for potential events of short-term through long-term duration:

- \$50 million taxable and \$25 million tax-exempt lines of credit with Truist Bank. These funds can be accessed within 24 hours.
- \$125 million in tax-exempt and \$25 million in taxable authorized but unissued commercial paper lines. It traditionally takes 30-45 days to issue commercial paper and therefore have access to these funds.
- For events of longer duration, the ability exists to fix out this commercial paper through debt issuance.

The transaction proposed today is to replace these authorized but unissued commercial paper lines with a revolving line of credit. On February 7, 2022 GRU's financial advisor, PFM Financial Advisors LLC., distributed a Request For Information soliciting proposals. Five banks responded, and through an evaluation based on criteria including, but not limited, to facility amount, term, commitment fee (to include fee adjustments in the event of a credit rating downgrade) and rate, US Bank National Association was selected as the highest rated proposal. The transaction proposed is in the amount of \$150 million effectively replacing GRU's current commercial paper lines.

The proposed revolving line of credit features:

- Daily access to funds vs. the 30-45 day time frame of commercial paper issuance
- The ability to designate draws on the line of credit as taxable or tax-exempt dependent on the proposed use of the funds. This provides similar flexibility to the existing commercial paper line to address capital or O & M needs.
- An unused facility fee of 17 basis points, as compared to 43 basis points on the tax-exempt commercial paper line and 70 basis points on the taxable commercial paper line.
- Flexibility to designate any portion of the \$150 million available as either tax-exempt or taxable.

In discussions with the rating agencies, they have indicated that they will treat the proposed revolving line of credit in a similar fashion to the existing commercial paper lines when evaluating our liquidity metrics. This is extremely important in as much as we have discussed before, GRU's strong liquidity metrics mitigate GRU's leverage and GFT challenges in terms of developing GRU's overall credit rating.

Fiscal Note: As noted above, the unused facility fee on the revolving line of credit is 17 basis points. The unused facility fee for the current commercial paper lines is 43 basis points for the tax-exempt line and 70 basis points for the taxable line. This translates to a savings of \$457,500 per year for switching to the revolving line of credit with US Bank.

RECOMMENDATION

The Utility Advisory Board recommend that the City Commission approve 1) the resolution authorizing the issuance of Variable Rate Subordinated Utilities System Revenue Bonds, 2022 Series A and 2022 Series B (Federally Taxable) and 2) the execution

of a credit agreement thereto, subject to the approval of the City Attorney as to form and legality.

[211098 Resolution US Bank Revolving LOC 20220414](#)

[211098 US Bank Revolving LOC Presentation 20220414](#)

[211100.](#)

Updates to Lighting Program within the City of Gainesville Code of Ordinances, Chapter 27 and Appendix A (B)

Explanation: In accordance with standard practices, Gainesville Regional Utilities Energy Delivery Department reviews lighting and pole rates and related standards annually. Pole rates have remained unchanged for 14 years. In FY2020, Energy Delivery requested and the City Commission approved lighting rate increases in addition to correcting the pole rates closer to cost of service. Due to customer inquiries and direction from leadership, Energy Delivery requested and received Commission approval to roll the FY2020 rates back to FY2019 rates with a commitment to review the internal processes (Ordinance 190514) and follow up with the City Commission when complete. In August 2021, GRU initiated discussions but postponed due to Covid-19 priorities. Staff would like to present the results of this review.

Fiscal Note: Combining the Rental Pole, Public Pole, Rental Light, and Public Light programs will yield approximately \$119,162 per month of additional revenue. These rates are being brought in line with cost of service.

RECOMMENDATION

The City Commission 1) receive a presentation from staff; and 2) authorize the City Attorney to draft and the City Clerk to advertise revisions to Chapter 27 and Appendix A of the City of Gainesville Code of Ordinances for an anticipated October 1, 2022 effective date.

[211100 Lighting and Pole Rate Presentation 20220214.](#)

[210812.](#)

Transferring Management of the Gainesville Regional Utilities (GRU) Boulware Springs Historic Water Works Facility to General Government (GG) (B)

Explanation: The Boulware Springs Historic Water Works facility, a pump house and spring, began supplying drinking water to the City of Gainesville in 1898. In 1905, Gainesville's plentiful water supply was used to entice the University of Florida to locate here. The spring was abandoned in 1948 upon completion of a water treatment plant. The building was added to the US National Register of Historic Places in 1985 and was last renovated in 1990. Boulware Springs, Gainesville's only artesian spring, produces approximately 194,000 gallons of water a day, which flows into Paynes Prairie Preserve State Park. The building was available to the public as

an event rental space for many years, but has fallen into a state of disrepair and the boardwalk and building have been closed for public safety since 2020. The Boulware Springs Historic Water Works is located within Boulware Springs Nature Park at 3300 SE 15th Street, parcel ID 16244-000-000.

Wild Spaces & Public Places, a program funded by a half cent sales tax being collected from 2017 through 2024, received direction from the City Commission on March 4, 2021 to begin a renovation project encompassing both Boulware Springs Nature Park and the Boulware Springs Historic Water Works.

The City has agreed to take over the maintenance and operation of the Water Works building, spring and associated grounds. Upon completion of the renovation project, the City will provide public access to Boulware Springs Historic Water Works facility as a rentable space for meetings, retreats, weddings, etc. A Memorandum of Understanding (MOU) has been prepared and approved by GRU and GG that details the terms of the transfer.

Existing site improvements include a masonry spring house (the "Water Works" building) and a covered pavilion with picnic tables and parking lot. The improvements are located within the Boulware Springs Nature Park boundary and the real property is a General Government asset.

Fiscal Note: This is a no fee transfer from GRU to GG. GG will be requesting an increment in the amount of \$30,000 during the FY23 budget to allocate GG funds to operate and maintain the facilities starting October 1, 2022. The Wild Spaces & Public Places program will fund improvements at the site.

RECOMMENDATION

The City Commission approve the MOU which transfers the operation & maintenance of the Boulware Springs Historic Water Works facility structures and grounds in perpetuity from GRU to GG.

[210812 GRU GG Boulware MOU Presentation 20220414](#)

[210812_Final Boulware Springs MOU 20220414](#)

[210812 FY 2023 GG Increment Form Boulware Springs 20220414](#)

211009.

UAB Work Plan (B)

Explanation: The Board and staff discussed the items in the attached work plan matrix at their March 22, 2022 workshop and added some context to some items and set tentative dates for hearing a couple of others. Staff will put this item on each monthly meeting agenda going forward and will continue to assist the board in working through topics and updating the matrix for use in planning future meetings.

RECOMMENDATION

Continue with work started at March 22nd workshop

*to review the outstanding topics on the matrix,
define clear objectives for each one and determine
the order of priority.*

[211009_UAB_Work_Plan_Matrix_20220414](#)

MEMBER COMMENT

CITIZEN COMMENT

NEXT MEETING DATE

*April 26, 2022 - Budget Workshop
May 12, 2022 - Regular Meeting*

ADJOURNMENT