



Legislation Details (With Text)

File #: 120335. **Version:** 0 **Name:** Engagement of Investment Banking Firms to Advise GRU Staff in Connection with Future Financial Transactions which may Include the Negotiation of a Prepayment Transaction with Respect to the GREC Biomass Generating Plant (NB)

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Title: Engagement of investment banking firms to advise GRU Staff in connection with future financial transactions which may include the negotiation of a prepayment transaction with respect to the GREC biomass generating plant (NB)

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Date	Ver.	Action By	Action	Result
9/10/2012	0	City Commission	Approved as Recommended	Pass

Engagement of investment banking firms to advise GRU Staff in connection with future financial transactions which may include the negotiation of a prepayment transaction with respect to the GREC biomass generating plant (NB)

Utility staff has been exploring a number of options, one of which is a potential financing transaction under which the Utility (or a third-party acting on behalf of the Utility) would prepay for a portion of the electricity to be generated by the biomass plant during the term of the current Power Purchase Agreement (PPA), thereby reducing the cost of such delivered electricity.

Any such financing transaction would be extremely complex and ultimately would require (a) the entry into a prepaid PPA between the City (or a third-party) and GREC, LLC (GREC) and (b) the issuance of bonds by or on behalf of the City (or by a third-party) to provide funds to make the prepayment for electricity to GREC. Because of the complexity of the proposed transaction, it is necessary and desirable, and in the best interests of the Utility, that the Utility engage the services of one or more investment banking firms that are recognized for their experience in the structuring and marketing of municipal securities, particularly securities to be issued to provide funds for prepayment transactions. GRU staff has identified three investment banking firms to which to sole source - Goldman, Sachs & Co., Bank of America Merrill Lynch and J.P. Morgan Securities LLC, based on their history and unique knowledge of innovative work concerning future debt structures, their proficiency in rating agency criteria and considerations, their investor expertise, their requisite experience, their understanding of the investor base and requirements, and their familiarity with the Utility's credit and financial structure.

Because each of the three firms has differing resources, areas of expertise and experience in this regard, it is in the best interest of the Utility to have the ability to be able to draw upon the judgment and resources of several of those firms. As a result, staff is requesting authorization to engage up to three (3) firms to provide the necessary services. Thus, we are requesting that the General Manager, or his designee, be authorized to negotiate and execute, subject to approval of the Office of the City Attorney as to form and legality, up to fifteen month agreements with at least one (1) firm, but potentially all three (3) firms of Goldman, Sachs & Co., Bank of America Merrill Lynch and J.P. Morgan Securities LLC, pursuant to which (a) such firms will advise GRU Staff in connection with the negotiation of future financial transactions

which may include a prepaid PPA with GREC and the structuring of a financing transaction to provide funds for such financial transaction and (b) GRU will enter into agreement(s) not to exceed \$600,000 collectively over the 15-month period.

The City Commission (a) authorize the General Manager, or his designee, to negotiate and execute up to a fifteen (15) month agreement with one or more of the following firms: Goldman, Sachs & Co., Bank of America Merrill Lynch and J.P. Morgan Securities LLC. Such firms would advise GRU staff in connection with future financial transactions which may include the negotiation of a prepaid PPA with GREC, and the structuring of a financing transaction to provide funds for such financial transactions, subject to approval of the Office of the City Attorney as to form and legality; and (b) approve the payment to any of such firms a combined monthly retainer not to exceed \$40,000.

Prepared by Jennifer L. Hunt, Utilities Chief Financial Officer

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Submitted by Robert E. Hunzinger, General Manager