



Legislation Text

File #: 211098., Version: 2

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)

****This item was presented to the UAB on 4/15/22.****

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.

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.

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.

The UAB voted unanimously to advise the City Commission to accept the recommendation.