



## Legislation Text

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### **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)**

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

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 be 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.

The transaction will reduce:

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

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.

The UAB voted unanimously to advise the Commission to approve the staff recommendation.