



Legislation Text

File #: 191104., **Version:** 2

Resolution Authorizing Amendment to a Swap Transaction between Gainesville Regional Utilities (GRU) and Citibank N.A. Amending the Optional Par Early Termination Option of GRU (B)

****This item was presented to the UAB on March 12, 2020.****

In 2017 as part of the DHR acquisition transaction, GRU entered into a 27 year \$45 million dollar swap with Citibank. The purpose of this swap was to hedge a portion of the variable interest rate debt issued to acquire the plant to a fixed rate, as well as to achieve additional interest rate savings compared to issuing more long term fixed rate debt. This swap included a right for GRU to terminate the swap on and after year 10 without cost, similar to the redemption rights of the fixed rate bonds issued for the acquisition. GRU is requesting authorization to negotiate an approximate seven year extension of the termination option, extending the call option from 10 years to 17 years. In exchange for this extension, staff will negotiate with the swap provider, based on current market conditions, either a reduction in the fixed rate GRU currently pays to the swap provider or an upfront lump sum payment.

The Resolution authorizes the General Manager or Chief Financial Officer to execute this transaction subject to the following execution parameters:

- Authorization to execute is through September 30, 2020
- Minimum annual savings based on a reduction in the fixed rate leg of the swap of \$90,000, or
- An upfront payment of no less than \$2.1 million

Based on the execution parameters, the transaction if executed will result in annual savings of at least \$90,000 or an upfront payment of \$2.1million.

The City Commission approve the resolution authorizing the General Manager or Chief Financial Officer to negotiate and execute an amendment to the swap transaction between GRU and Citibank N.A. extending the termination option from 10 years to 17 years, subject to certain execution parameters being met.

On March 12, 2020, the UAB voted 6-0, with Member Rockwell absent, to advise the Commission to approve the staff recommendation.