



## Legislation Text

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**File #:** 200374., **Version:** 2

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### **Resolution Authorizing the Renewal and Reissuance of a Portion of the 2017 Series B Bonds Direct Placement with Wells Fargo (B)**

**\*\*This item was presented to the UAB on 10/8/20.\*\***

As part of the financing to acquire the DHR facility in 2017, GRU issued \$265 million in variable rate debt in the form of two direct purchase agreements - \$150,000,000 of 2017 Series B Bonds with Wells Fargo and \$115,000,000 in 2017 Series C Bonds with Bank of America.

Both of these direct purchase agreements have mandatory tender dates of November 7, 2020. This means that GRU must make a determination as to what financing options are preferable for the renewal of this variable rate debt. There are two primary options available to redeem this debt. One would be to issue fixed rate debt and terminate the swaps or allocate them to other variable rate debt. The second would involve maintaining variable rate debt with the following choices: 1) renew the existing direct purchase agreements; 2) issue new floating rate notes or other short term variable rate obligations, or; 3) issue variable rate demand bonds supported by a credit facility.

Fixed rate options: Both of these variable rate issues are synthetically fixed through swaps, therefore issuance of fixed rate debt to redeem the issues is not an economically viable option.

Variable Rate Options: Staff came to the City Commission in July with an information item describing our need to undertake some price discovery efforts to determine the most efficient and effective alternative for executing this transaction. Based on our review, together with our financial advisor and bond counsel we determined that the following structure will result in the optimal outcome for the utility:

Renewal and reissuance of the \$115,000,000 direct placement with Bank of America on the 2017 Series C Bonds;

Refunding \$105,000,000 through issuance of a \$105,000,000 2020 Series B Bonds direct placement with TD Bank;

Renewal and amendments to the remaining \$45,000,000 2017 Series B Bonds direct placement with Wells Fargo.

The attached resolution provides for the implementation of the third segment of this proposal - renewal and reissuance of \$45,000,000 of the direct placement with Well Fargo on the 2017 Series B Bonds.

GRU is currently paying on the 2017 Series B direct placement with Wells Fargo 85% of one month LIBOR with a spread of 43 basis points. At current LIBOR rates this translates to an interest rate of .56%. The rate on the proposed reissuance is 80% of one month LIBOR with a spread of 64 basis points, or a rate of .76%.

The City Commission approve:

- 1) the resolution authorizing amendment of the 28<sup>th</sup> Supplemental Utilities System Revenue Bond Resolution No. 170403
- 2) the form of a replacement bond with respect to the City's Variable Rate Utilities System Revenue Bonds 2017 Series B
- 3) the form of an amendment to the Continuing Covenant Agreement with Wells Fargo , subject to the approval of the City Attorney as to form and legality

UAB: In their 10/8/20 meeting, the UAB voted unanimously, with Member Rockwell absent, to advise the City Commission to approve the staff recommendation.