



## Legislation Text

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**File #: 200373., Version: 2**

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### **Resolution Authorizing the Refunding of a Portion of the 2017 Series B Bonds through the Issuance of \$105,000,000 in Variable Rate Utilities System Revenue Bonds, 2020 Series B (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 reissuance of the remaining \$45,000,000 2017 Series B Bonds direct placement with Wells Fargo

The attached resolution provides for the implementation of the second segment of this proposal - refunding \$105,000,000 of 2017 Series B Bonds through the issuance of \$105,000,000 in Variable Rate Utilities System Revenue Bonds, 2020 Series B.

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 46 basis points, or a rate of .58%, plus a one-time payment of \$100,000 (which reduced the proposed spread from 51 basis points to 46 basis points and was determined by our financial advisor to reduce the overall borrowing cost). The closing is expected to occur

on November 2, 2020.

The City Commission approve:

- 1) A resolution authorizing the issuance of \$105,000,000 in Variable Rate Utilities System Revenue Bonds 2020 Series B to refund a portion of 2017 Series B Bonds
- 2) the form of a of Bond Purchase Agreement with respect to the 2020 Series B Bonds
- 3) the form of a Continuing Covenant Agreement with respect to the 2020 Series B Bonds and
- 4) the form of Paying Agent/Bond Registrar Agreement, in each case subject to the approval of the City Attorney as to form and legality.

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