



## Legislation Text

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### Resolution Authorizing the Execution of Gainesville Regional Utilities Financial Transactions (B)

**\*\*This item is informational only.\*\***

Like other multi-system utilities GRU is a capital intensive operation. Every two to three years we need to access the financial markets to secure the funding necessary to assist us in acquiring, constructing and maintaining our capital infrastructure. Staff is planning a new money bond issue of up to approximately \$130 million for the July-August time frame to replenish construction funds used for such infrastructure improvements. Staff is proposing issuing these bonds in two series, one of which will be issued as “green bonds” given that a portion of the proceeds will be going to fund renewable water and wastewater projects.

Additionally, working with our financial advisor PFM LLC, we have identified an opportunity to create significant present value debt service savings through a refunding of a portion of our outstanding 2012 Series A bonds. The refunding candidates bonds have maturities ranging from 2023 to 2028; the bonds issued to refund these bonds will not have a maturity longer than the refunded bonds. Given current market conditions, depending upon the refunding method chosen, the transaction could generate between \$3.75 and \$5.5 million in present value savings.

Outlined below are the details associated with the various refunding methodology options. We are requesting that the City Commission provide authorization to the General Manager or his designee to execute any of these prescribed options dependent upon what is most beneficial to GRU based on market conditions. This authorization will provide staff the flexibility to execute the transaction in a timely fashion and deliver the projected savings.

Taxable Advance Refunding - Several years ago Treasury regulations were changed to eliminate the authority for tax-exempt advance refundings (issuing tax-exempt bonds more than 90 days prior to the official “call” date to refund the bonds). The initial call date of the 2012 bonds is October 1, 2022. With taxable interest rates at near historic lows, it is economically viable to issue taxable debt to advance refund the 2012 bonds and achieve savings.

Tax-exempt Forward Delivery - A forward delivery transaction allows GRU to lock in savings based on current favorable interest rates. This transaction would be accomplished through a forward delivery direct purchase with a single investor whereby GRU agrees to deliver the refunding bonds within 90 days of the redemption date of the 2021 bonds.

Tax-Exempt Advance Refunding - There is currently momentum towards Congressional reauthorization of tax-exempt advance refundings. In the event this occurs, GRU would potentially pursue this avenue versus the taxable refunding described above and utilize the most economically efficient transaction.

The attached resolution authorizes these potential approaches. Additionally, the proposed resolution satisfies federal tax law requirements to permit GRU to reimburse from tax-exempt bond proceeds eligible costs on the

capital projects paid prior to the issuance of this debt.

Staff presented this item to the City Commission on June 17, 2021 with the recommendation that they authorize the General Manager or his designee to negotiate and execute the listed transactions, and approve the:

- 1) Thirty-fifth Supplemental Utilities System Revenue Bond Resolution
- 2) forms of the Escrow Deposit Agreement, Bond Purchase Contract, Preliminary Official Statement and Continuing Disclosure Certificate,
- 3) forms of a Forward Bond Purchase Agreement and Continuing Covenant Agreement used in connection with the forward delivery private placement of the refunding bonds and
- 4) the intent of the City for purposes of compliance with federal tax law to reimburse the expenditure of costs of certain capital projects with the proceeds of tax-exempt bonds, and authorize the execution and delivery thereof, subject to approval of the City Attorney as to form and legality.

The commission approved staff's recommendation.

The new money issue will provide construction fund monies to support acquisition, construction and maintenance of utility infrastructure. The refunding of the portion of the 2012 Series A Bonds will potentially provide significant present value debt service savings.

Receive information from staff.