



Legislation Text

File #: 210533., **Version:** 1

Resolution Authorizing an Allonge to the Variable Rate Subordinated Utilities System Revenue Bond, 2018 Series A (B)

In 2018, the City Commission adopted its Supplemental Subordinated Utilities System Revenue Bond Resolution authorizing the sale of the 2018 Series A Bonds to STI Institutional & Government, Inc. ("STI") in the amount of not to be outstanding in excess of \$25 million. The 2018 Series A Bonds represent a revolving line of credit which provided the utility with a low-cost source of additional liquidity to fund operating costs to assist in the financial management of unforeseen events. The addition of this line of credit provides balance to the utility's sources of available liquidity between capital projects and operating costs. Rating agencies and investors look favorably at this additional liquidity during uncertain financial times.

This line of credit expires effective November 30, 2021. GRU staff, financial advisor and bond counsel have worked with representatives from STI to negotiate a three year extension to this line of credit to maintain the liquidity this agreement provides. The proposed resolution authorizes this three year extension, extends the mandatory tender date by STI to 18 months and modifies the interest rate provisions for the Bond.

It is not anticipated that this line of credit will be utilized outside of unexpected financial circumstances. The recurring cost of the unused portion of the line of credit is 25 basis points or one-quarter of one percent based on the average unused amount of the facility in the prior quarter. Amounts drawn on the line will accrue interest at a variable rate equal to 79% of the sum of the daily Secured Overnight Financing Rate (SOFR) plus 1.85%.

The City Commission approve an amendment to the Supplemental Subordinated Utilities System Revenue Bond Resolution authorizing an allonge to the Bond extending the maturity date on the Series 2018A Revenue Bond, and authorize the execution and delivery thereof subject to approval of the City Attorney as to form and legality.

At their October 14, 2021 meeting, the UAB voted unanimously to advise the City Commission to approve the staff recommendation.