



## Legislation Text

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**File #: 211449., Version: 2**

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### **Resolution Authorizing an Amendment to a Swap Transaction Between the City of Gainesville D/B/A Gainesville Regional Utilities and Citibank N.A., Amending the Floating Rate Payable to the City Thereunder (B)**

**\*\*This item is for informational purposes.\*\***

In November of 2017, the City acquired the facility now known as Deerhaven Renewables. This acquisition was funded through the issuance of the following bonds:

\$415,920,000 in fixed rate bonds, Series 2017A.

\$150,000,000 in variable rate bonds Series 2017B. These bonds were synthetically fixed through swap agreements with Goldman Sachs and Citibank N.A. shortly after issuance.

\$115,000,000 in variable rate bonds, Series 2017C, which at the time were left unhedged.

In December of 2019, GRU entered into a swap agreement with Citibank N.A. to synthetically fix the Series 2017C bonds. Under the provisions of the swap agreement, GRU agreed to make fixed rate payments of 1.41% to Citibank N.A., and Citibank N.A. agreed to make variable rate payments to GRU equal to 70% of the one month LIBOR (London Interbank Offering Rate).

LIBOR is now being transitioned away from as an index for financial transactions, and will no longer be published as a benchmark rate as of June 30, 2023. In anticipation of the cessation of the use of LIBOR as a benchmark rate, Citibank N.A. has proposed amending the existing swap agreement on the 2017 Series C bonds by replacing the floating rate payable by Citibank N.A., currently based on one month LIBOR, with a floating rate based on the 10 year SOFR (Secured Overnight Financing Rate).

As of this writing, one month LIBOR is 2.13%, and the 10 year SOFR is 2.77%. Therefore converting the basis on GRU's variable rate receiving leg of the Series 2017 C swap from one month LIBOR to 10 year SOFR translates to an increased receiving rate for GRU of 0.64%. Assuming the continued relative relationship of these indices, applying this variance against the \$115,000,000 notional amount of the Series 2017 C swap results in an annual benefit to GRU of approximately \$736,000.

The City Commission authorized the resolution amending the swap between the City of Gainesville D/B/A Gainesville Regional Utilities and Citibank N.A. by amending the floating rate payable to the City at their August 4, 2022 meeting. Staff requests that the UAB hear the presentation for informational purposes.