



## City of Gainesville Agenda Report

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**File #:** 2022-261

**Agenda Date:** August 4, 2022

**Department:** Gainesville Regional Utilities

**Title:** 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

**Description:** [Document Description]

**Explanation:**

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).

**Strategic Connection:**

**Fiscal Note:**

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.

**Recommendation:**

The City Commission authorize 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.