

# Amendment to the Series 2017C Swap

August 4, 2022



# Amendment to the Series 2017 C Swap

- ***No new debt associated with this transaction***
- ***No extension of any existing debt with this transaction***
- Simply amends the index upon which GRU receives variable rate payments under the existing Series 2017C swap agreement with Citibank, N. A. (Citi)

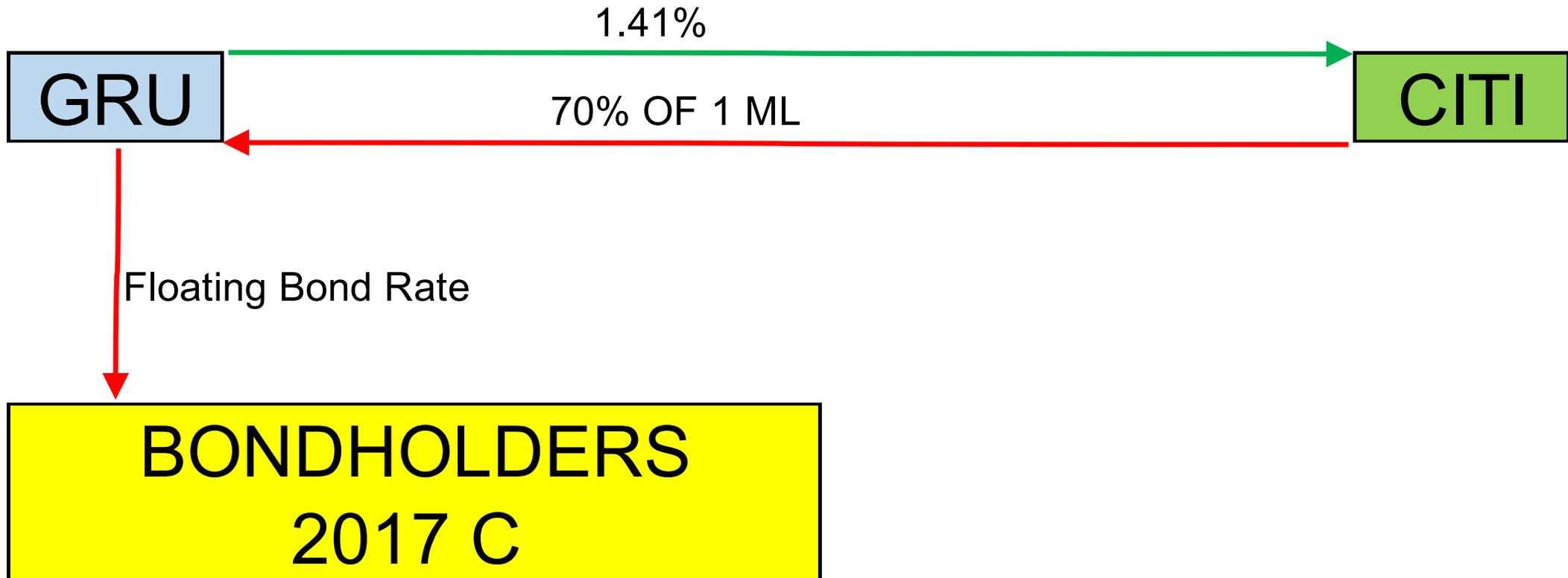


# Amendment to the Series 2017 C Swap

- In November of 2017 GRU issued \$115,000,000 in Series 2017C variable rate bonds as part of the funding to acquire the Deerhaven Renewables facility
- In December of 2019 GRU entered into a swap agreement with Citi synthetically fix or “hedge” the variable rate interest on these bonds
- Under the terms of this swap agreement GRU agreed to make a fixed rate interest payment of 1.41% to Citi in exchange for receiving a variable rate payment based on 70% of one month LIBOR



# Amendment to the Series 2017 C Swap

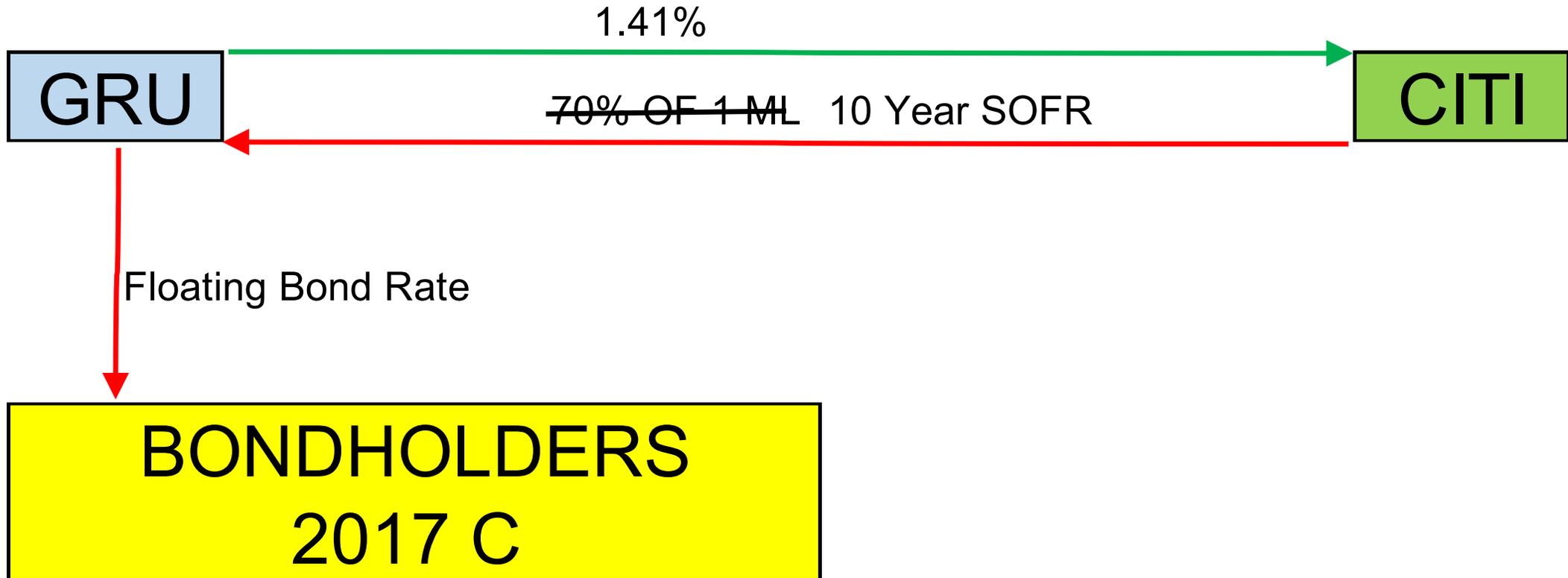


# Amendment to the Series 2017 C Swap

- LIBOR is being transitioned away from as an index for financial transactions
- It will no longer be published as a benchmark rate as of June 30, 2023
- Citi has proposed amending the existing agreement by replacing the floating rate payable by Citi from the current one month LIBOR with a floating rate based on the 10 Year Secured Overnight Financing Rate (SOFR)



# Amendment to the Series 2017 C Swap



# Amendment to the Series 2017 C Swap

- As of this writing one month LIBOR is 2.13% and the 10 Year SOFR is 2.77%
- Converting the index upon which GRU's variable rate receipt is made under this swap translates to an increased receiving rate of 0.64%
- Assuming this relative relationship between the two indices continues, based on the \$115,000,000 notional amount of the swap this results in an annual benefit to GRU of approximately \$736,000



# Amendment to the Series 2017 C Swap

## Why Now ?

- LIBOR index is going away
- Yield curve has flattened significantly – shorter end of the curve has risen faster than the long end
- Flat yield curve makes pricing of these swaps more attractive, as the potential value to the issuer increases as the yield curve returns to a more traditional steeper slope



# Amendment to the Series 2017 C Swap

## Incremental Benefits & Risks

### Benefits:

- Generates immediate positive cash flow for GRU based on current rates
- Potential for significant positive cash flow for GRU as yield curve normalizes (steepens) in the future

### Risks:

- Further flattening or inversion of the yield curve could cause negative cash flow to GRU
- Increases potential basis risk volatility (mismatch between payments received by GRU under the swap and variable rate payments made to underlying Series 2017C bondholders)



# Amendment to the Series 2017 C Swap Recommendation

The City Commission authorize the resolution amending the swap between the City and Citibank N.A. by amending the floating rate payable to the City

