



Board Action Memorandum

TO: Jackie Flowers, Director of Utilities
COPY: Charleen Jacobs, Director and Board Offices
FROM: Scott Dewhirst, Superintendent of Tacoma Water
MEETING DATE: April 8, 2020
DATE: March 27, 2020

SUMMARY:

Tacoma Water requests approval for the Water System Subordinate Revenue Refunding Bond, Series 2020 Direct Purchase Option with Key Government Finance, Inc. in an amount not to exceed \$18.4 million in order to refund the 2010 Series A Water System Revenue Refunding Bonds.

BACKGROUND:

The 2010 Series A Water System Refunding Bonds mature on December 1, 2023 and interest rates have dropped significantly since they were issued in 2010. We have negotiated an extraordinarily low interest rate of 1.4% for the remaining term and have this rate locked until May 21, 2020. This refunding provides \$1,089,085 net present value savings for Tacoma Water ratepayers between 2020 and 2023. Percentage savings is 6.12% of refunded par, well above the City's recommended minimum of 5% for refunding bond transactions.

With assistance from Tacoma's Finance and Legal Departments, our municipal advisory firm, Montague DeRose and Associates, and bond counsel, Pacifica Law Group, we have prepared a bond ordinance for the Public Utility Board and City Council action (current request) that would authorize Tacoma Water to execute a direct sale with Key Government Finance, Inc.

Parameters for this refunding are clearly defined in the bond ordinance and this is a time-sensitive offer that expires at the end of the negotiated rate lock.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?

Debt service savings of approximately \$168,000 in 2020 have not been budgeted.

ATTACHMENTS:

- Council Action Memorandum (CAM)
- City Council Ordinance
- TPU Board Resolution
- Continuing Covenant Agreement

CONTACT:

- Primary Contact and Presenter: Jodi Collins, Water Division Manager, Assistant (253) 753-8369
- Supervisor: Sean Senescall, Water Division Manger