



**TO:** Elizabeth Pauli, City Manager  
**FROM:** Jackie Flowers, Director, Tacoma Public Utilities;  
Chris Robinson, Superintendent, Tacoma Power  
**COPY:** Government Performance & Finance Committee (GPFC);  
Andy Cherullo, Director, Finance;  
D'Angelo Baker, Senior Management Fellow, City Manager's Office  
**PRESENTER:** Michelle Brown, Financial Planning Manager, Tacoma Power

**SUBJECT:** Tacoma Power Proposed 2025 Financing Transactions  
**DATE:** April 1, 2025

**PRESENTATION TYPE:** Request for Ordinance

**SUMMARY:**

Tacoma Power requests that the Government Performance & Finance Committee (GPFC) move to City Council for approval to issue up to \$325 million in 2025 Electric System Revenue Bonds (Series 2025) and redeem up to \$26 million of the 2010C Bond debt service under the delegated authority of the Director of Utilities and the Superintendent of Tacoma Power. The Series 2025 Bond includes approximately \$135 million in new money Bonds, up to \$135 million in Refunding Bonds to refund future 2010B Bond principal payments, and potentially an additional \$55 million to refund the outstanding 2013A Bonds.

**BACKGROUND:**

Tacoma Power regularly issues bonds to finance construction and renovation on long-lived capital assets. Debt financing such assets is an equitable practice because it transfers the cost of long-lived assets across current and future ratepayers who are the beneficiaries of those assets.

Tacoma Power also regularly restructures and redeems its outstanding debt service when possible to reduce those expenses and ensure that rates remain as low as is responsible for current and future ratepayers.

Tacoma Power has an outstanding 2010B series of bonds (Build America Bonds), that are being evaluated for refunding in 2025 concurrent with the new money bond issuance utilizing an extraordinary redemption provision. Tacoma Power also has an outstanding 2010C series of bonds (Clean Renewable Energy Bonds), with the principal payment of \$25.1 million due on January 1, 2027. Tacoma Power is requesting to redeem this principal payment in 2025 concurrent with the other financing efforts.

Last, Tacoma Power is considering refunding approximately \$55 million principal of 2013A Bonds, depending on the potential achievable savings.

**ISSUE:**

The purpose of the new money issuance is to bond fund approximately \$55 million of 2024 capital spending and fund approximately \$80 million of capital projects approved in the 2025/2026 budget.

Current market conditions are favorable for refunding the 2010B bonds to achieve debt service savings for the utility and its ratepayers while restructuring and leveling the existing principal balloon payments.



The final refunding amount will be based on market conditions and interest rates when the bonds are priced.

The purpose for redeeming the 2010C Bonds large principal payment due on January 1, 2027 is to meet bond covenant requirements.

Tacoma Power will also evaluate market conditions and refund the principal on 2013A Bonds if debt service savings can be achieved while ensuring that rates remain as low as responsible.

**ALTERNATIVES:**

The alternative would be no action and the current debt repayment schedule would remain unchanged. If bonds are not issued, Tacoma Power will need to pay for all 2024/2025/2026 capital expenses from the revenues of the utility, resulting in increased rate pressure for all ratepayers. Also, any potential savings in refunding the 2010B Bonds would not be captured.

**FISCAL IMPACT:**

The 2025/2026 Budget includes estimated debt service expenditures for issuing approximately \$180 million in new money Revenue Bonds, including all costs associated with the issuance (e.g. fees associated with Underwriters, Bond Counsel, Municipal Advisor, and Green Bonds). The 2025/2026 Budget also includes the \$15 million defeasance of the 2010C principal payment accrued in 2026.

The current anticipated fiscal impact to refunding the 2010B bonds could be up to \$70 million in reduced debt service, depending on market conditions and the amount of cash applied. This potential reduction in debt service expenses was not included in the 2025/2026 Budget.

**RECOMMENDATION:**

Tacoma Power recommends issuance up to \$325 million in 2025 Electric System Revenue Bonds (Series 2025) and redeem up to \$26 million of the 2010C Bond debt service under the delegated authority of the Director of Utilities and the Superintendent of Tacoma Power. The Series 2025 Bonds includes approximately \$135 million in new money Bonds, up to \$135 million in Refunding Bonds to refund future 2010B Bond principal payments, and potentially an additional \$55 million to refund the outstanding 2013A Bonds..