



TO: Mayor and City Council
FROM: Jackie Flowers, Director of Utilities
COPY: Elizabeth Pauli, City Manager and Doris Sorum, City Clerk
SUBJECT: Amend and Extend Tacoma Power's Note Purchase Agreement –
October 15, 2019
DATE: September 27, 2019

SUMMARY:

Tacoma Power is requesting authorization to extend for one year and increase the principal amount from \$100 million to \$150 million of the Note Purchase Agreement (NPA) with Wells Fargo to continue interim financing of Tacoma Power's capital projects until issuing Bonds in 2021.

Tacoma Power's 2019/2020 biennium Financing Plan involves three components that require approval by the Public Utility Board and the City Council, including:

1. **Authorization to amend and extend Tacoma Power's Note Purchase Agreement (NPA) with Wells Fargo to provide interim financing for capital projects in Tacoma Power's approved capital budget;**
2. Enact a Springing Amendment to include the interest subsidy payments received from the Federal Government for the outstanding 2010B and 2010C Bonds in the Debt Service Reserve Requirement calculation; and
3. Authorization to extend Tacoma Power's Reserve Surety Policy with Assured Guaranty Municipal (AGM) to continue full funding of the Debt Service Reserve account.

These components were presented to the Public Utility Board at the August 14, 2019, Study Session and to the GPFC at the August 20, 2019, Study Session. The proposed Ordinance and Resolution that amend and extend Tacoma Power's NPA, were drafted by Tacoma Power's Bond Counsel, Pacifica Law LLC (Pacifica) and Financial Advisor, Montague DeRose and Associates (MDA), in collaboration with Tacoma Power staff, the City Treasurer, and the City Attorney.

This memo is specifically addressing the first component of the 2019/2020 Financing Plan.

STRATEGIC POLICY PRIORITY:

The strategic policy priority that best aligns to this action is to "Encourage and promote an efficient and effective government, which is fiscally sustainable and guided by engaged residents."

Extending the current Wells Fargo Note Purchase Agreement will continue to provide significant savings to Tacoma Power customers and help maintain financial flexibility and minimum rate increases over the next biennium. The NPA with Wells Fargo provides up-front interim financing for capital projects and defers the issuance of higher cost long-term bonds. Additionally, the utilization of the NPA to fund capital projects largely eliminates negative



\$150 million, with improved (lower) fees compared to what we currently are paying on our existing agreement.

PRELIMINARY TERMS:

Updated pricing in conjunction with an extension and increased principal of the current agreement with Wells Fargo is as follows:

Maturity: Term extension effective December 1, 2019, expiring on December 1, 2021

Notional Amount: \$150,000,000

Interest Benchmark: LIBOR

Utilized fee: 80% of one month LIBOR + 35 basis points on drawn amount

Unutilized fee: 17 basis point fee on unused amount

Projected All-In Cost: \$1.6 million

ALTERNATIVES:

If Tacoma Power does not extend the Wells Fargo NPA, alternatives will be brought back to the City Council for consideration. Some alternatives considered are:

- Tacoma Power could issue long-term bonds at the beginning of 2020 instead of using the Wells Fargo agreement to fund capital projects.
- Tacoma Power could solicit alternative proposals and negotiate a new interim financing agreement for approval by the City Council at a later date.

RECOMMENDATION:

Tacoma Power recommends approval to increase our short-term financing agreement with Wells Fargo to \$150 million and extend it to provide interim financing of the 2019/2020 capital projects, with their reduction in fees compared to our current NPA.

In mid-2021, Tacoma Power intends to issue bonds to pay off the NPA and begin the competitive process to solicit a new interim financing agreement.

FISCAL IMPACT TO THE CURRENT BIENNIUM: None

Estimated cost of the Wells Fargo NPA for the biennium is \$1.6 million and was included in the Tacoma Power 2019 & 2020 budget.

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes