



TO: Elizabeth Pauli, City Manager
FROM: Jackie Flowers, Director of Utilities
COPY: City Council and City Clerk
SUBJECT: Resolution/Ordinance – 2025 Bond Issuance
DATE: April 29, 2025

SUMMARY AND PURPOSE:

Tacoma Power requests from the City Council the approval to issue up to \$325 million in 2025 Electric System Revenue Bonds (Series 2025) and to 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. This financing transaction includes approximately \$135 million in new money Bonds and up to \$190 million in Refunding Bonds to refund future 2010B and 2013A Bond principal payments.

In order to conduct this bond sale in the most efficient manner, Tacoma Power requests approval for the delegation of authority to conduct this sale in accordance with the bond sale parameters defined by the Bond Ordinance.

BACKGROUND:

This Department's Recommendation is Based On:

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.

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.

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

Tacoma Power has two outstanding series of bonds, 2010B and 2013A, that are being evaluated for refunding in 2025 concurrent with the new money bond issuance. Tacoma Power's outstanding 2010B series of bonds (Build America Bonds) can be refunded utilizing an extraordinary redemption provision and the 2013A Bonds is a current refunding, callable July 1, 2023. Current market conditions are favorable for refunding the 2010B series of bonds to achieve debt service savings for the utility and its ratepayers while restructuring and levelizing the existing principal balloon payments. The 2013A series of bonds will be evaluated when priced to determine whether savings can be achieved through refunding. The final refunding amount will be based on market conditions and interest rates when the bonds are priced.

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. The purpose for redeeming the 2010C Bonds large principal payment due is to meet bond covenant requirements.



COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Tacoma Power regularly issues bonds to finance construction and renovation on long-lived capital assets. Debt financing such assets will help maintain financial flexibility and aim to limit rate increases over the next biennium by equitably distributing capital costs of long-lived assets to future ratepayers who are the beneficiaries of those assets.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Tacoma Power could reduce the amount of the Bond issue request to up to \$80 million and only pay for 2025/2026 capital spending.		The removal of the Refunding Bond issuance from the requested Ordinance would not reduce Tacoma Power’s future debt service payments.
2. Tacoma Power could also delay the Bond issue one year and pay for capital spending out of revenue.		Tacoma Power may need to increase near-term rate projections to pay for these costs from rate revenues collected in the next biennium.

EVALUATION AND FOLLOW UP:

Not applicable.

STAFF/SPONSOR RECOMMENDATION:

Tacoma Power recommends issuance of up to \$325 million in 2025 Electric System Revenue Bonds (Series 2025) and to 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. This financing transaction includes approximately \$135 million in new money Bonds and up to \$190 million in Refunding Bonds to refund future 2010B and 2013A Bond principal payments.

FISCAL IMPACT:

Tacoma Power anticipates using approximately \$75 million in cash to redeem the 2010C and to reduce the refunded 2010B Bond debt service.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 4700 – Tacoma Power	Various	Various	~75,000,000
TOTAL			



What Funding is being used to support the expense?

Funding is available within Tacoma Power's operating fund.

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

YES

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 a \$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 \$90 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.

Are there financial costs or other impacts of not implementing the legislation?

YES

If bonds are not issued, Tacoma Power will need to pay for all capital expenditures with other liquidity sources, resulting in increased pressure on future ratepayers. Also, any potential expense savings in refunding the 2010B and 2013A Bonds would not be captured.

Will the legislation have an ongoing/recurring fiscal impact?

YES

Will the legislation change the City's FTE/personnel counts?

No

ATTACHMENTS: