

TACOMA PUBLIC UTILITIES
3628 South 35th Street
Tacoma, Washington 98409-3192

February 27, 2015

To the Honorable Mayor and Members of the City Council and
To the Chair and Members of the Public Utility Board

Request

Tacoma Water requests that the Public Utility Board and the City Council approve the sale of the 2015 Water System Revenue Refunding Bonds in an amount not to exceed \$30.6 million. The purpose of this bond issue is to refund the 2005 Water System Revenue Refunding Bonds.

As a part of this bond ordinance, Tacoma Water is also requesting authorization for the Tacoma Water Superintendent to act as a designated representative to conduct the sale of these bonds within certain constraints.

Background

Interest rates for highly rated (the Water System is rated AA by S&P and Aa2 by Moody's) revenue bond debt have dropped significantly since 2005, when Tacoma Water issued its 2005 Water System Revenue and Refunding Bonds. It is for this reason that Tacoma Water has identified the 2005 bonds as candidates for refunding. Refunding the 2005 Bonds is expected to produce a net present value savings of \$2.6 million for Tacoma Water ratepayers.

Process and Timeline

With assistance from Tacoma's Finance Department, our financial advisory firm Montague DeRose and Associates, and bond counsel Orrick, Herrington, and Sutcliff LLP, we have prepared a bond ordinance for Public Utility Board and City Council action (the current request) that would authorize Tacoma Water to execute a sale within a

"not to exceed" amount and other constraints. While the current plan is to utilize a negotiated method of sale, this ordinance includes provisions that would enable a switch to a competitive sale as warranted by market forces.

Instead of having to convene a joint session of the City Council and the Public Utility Board on the date of sale, as was done in prior water revenue bond sales, RCW 39.46.040 allows the Public Utility Board and the City Council to designate a staff representative that then has the authority to execute a sale with certain parameters that are identified in the bond ordinance. These parameters include a not to exceed amount of \$30.6 million, and restrictions on the maximum interest cost and term of the bonds. This request is scheduled for review by the Public Utility Board on March 11, 2015, and first and second readings by the City Council on March 24, 2015 and March 31, respectively.


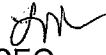


Proposed Structure

The current estimated issue amount is approximately \$25.0 million plus the funding of issuance costs and a revenue bond reserve account, but could vary depending on market conditions and the availability of alternative sources of funding. Proceeds from this bond issue will be used entirely to refund outstanding principal associated with the 2005 Bonds.

Due to the ratepayer savings that will be achieved by this refunding, it is recommended that the Public Utility Board and the City Council take the necessary approving action.

Sincerely,


for William A. Gaines 
Director of Utilities/CEO

Attachment