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FROM: Jackie Flowers, Director of Utilities/CEO
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COPY: City Council and City Clerk
PRESENTERS: Bill Berry, Power Rates, Planning, and Analysis Manager
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SUBJECT: 2021 Financing Plans
DATE: May 4, 2021

PRESENTATION TYPE:

Informational Briefing

SUMMARY:

Tacoma Power and Tacoma Water are briefing the Council Committee about their 2021 financing plans.

Tacoma Power

Tacoma Power's 2021 financing plan involves two components that will require approval in July 2021 by the Public Utility Board and the City Council, including:

1. Issuance of a new short-term agreement sufficient to provide interim financing for capital projects over the next 3-5 years, including projects in Tacoma Power's approved 2021-22 budget (presently \$125 million)
2. Issuance of approximately \$150 million in new revenue bonds to repay up to \$150 million outstanding in the current short-term Note Purchase Agreement (NPA)

Tacoma Water

Tacoma Water's financing plan includes responsible spend down of existing operating and capital reserves to fund the \$79.3 million capital program for 2021-22. In addition, the Utility is monitoring opportunities to refinance outstanding 2013 bonds for savings and may bring forward a plan for approval from the Public Utility Board and City Council as early as late 2021.

BACKGROUND:

Tacoma Power

In 2015, pursuant to Public Utility Board and City Council approval, Tacoma Power entered into a \$100 million NPA with Wells Fargo to provide interim financing of capital project expenses. During the last four years, Tacoma Power has successfully utilized the current Wells Fargo NPA



to interim finance approximately \$121,250,000 of capital project expenses. Implementation of this agreement has allowed for more cost-effective management of capital construction by allowing us to more closely match timing on draws on the NPA with the amount and timing of capital project spending. We estimate Tacoma Power's interim financing program has saved the utility approximately \$26 million in interest costs since 2015.

On December 2, 2019, the current agreement was amended by increasing the amount Tacoma Power can borrow under the Note Purchase Agreement to \$150 million and extending the termination date to December 1, 2021. The utility is conducting an RFP now to replace that agreement when it expires.

Tacoma Power expects to draw the full \$150 million available on the NPA by mid-2021, at which time we will issue Revenue Bonds to repay the short-term debt instrument. Staff is working with our financial advisor, Montague DeRose & Associates (MDA) now to evaluate proposals to address these needs as follows:

1. *Select a replacement short-term financing facility to continue interim financing of capital spending until our next bond issuance.*

Tacoma Power has solicited proposals from qualified firms for short-term funding products to replace the existing Wells Fargo NPA and is currently working with MDA to solicit and evaluate responses.

2. *Select firms capable of providing banking and underwriting services for Tacoma Power to issue bonds to pay off the current Note Purchase Agreement with Wells Fargo.*

Tacoma Power plans to issue approximately \$150 million Series 2021 Electric System Revenue Bonds to repay the amounts borrowed under the Wells Fargo NPA by the end of August 2021. Tacoma Power is currently working with MDA to solicit and evaluate underwriter responses.

Tacoma Water

Tacoma Water completed spend down of existing bond funds and is now drawing from built up reserves as planned. This includes approximately \$48.5 million from capital reserve funds and about \$30.8 million from operating reserves to fund a total capital plan of \$79.3 million for the 2021-22 biennium. This plan helps the Utility reduce rate adjustments and maintain financial stability.

Tacoma Water continues to monitor potential refinancing opportunities for the Water and Regional Water Supply System (RWSS) 2013 Bonds. These bonds are callable in June 2023 and could potentially be refinanced for savings before that date. Currently, advance refunding is permitted in the taxable market and proposed legislation to allow tax exempt advance refunding



would provide significant savings. The Utility may bring forward a plan for approval from the Public Utility Board and City Council as early as this year.

ISSUE:

Tacoma Power and Tacoma Water are reviewing their 2021 financing plan with the City Council. Tacoma Power will return on July 20th to begin the City Council approval process for issuing bonds and selecting a new short-term financing facility.

ALTERNATIVES:

This is an information briefing only. There are no alternatives presented.

FISCAL IMPACT:

This is an information briefing only. There is no fiscal impact.

RECOMMENDATION:

This is an information briefing only. There is no recommendation.