



2021 Financing Plans

Tacoma Power



Bill Berry
Rates, Planning, and Analysis Manager

Tacoma Water



Jodi Collins
Financial Stewardship Manager

1

Background



Tacoma Power developed its short-term financing facility to more closely match the timing and the amount borrowed with the amount and timing of its capital project spending. Compared to issuing long-term bonds, Tacoma Power estimates saving \$26 million in interest costs since 2015.

Tacoma Power Financing History

- 2014** Solicited proposals for short-term funding products and selected the lowest cost and most flexible option for interim financing.
- 2015** Executed a Note Purchase Agreement (NPA) with Wells Fargo Bank providing a commitment for a revolving line of credit of not to exceed \$100 million for three years.
- 2015 – 2017** Successfully utilized the NPA to interim finance approximately \$80 million of capital project expenses.
- 2017** Issued \$80 million in Revenue Bonds to repay the amounts borrowed under the Wells Fargo NPA.
- 2018** Renewed the Wells Fargo NPA until December 2020.
- 2019** Increased the NPA commitment level to \$150 million and extended the agreement to December 2021.

2

Issue Bonds to Pay Down Drawdown Facility

Overview

- Anticipate Wells Fargo Note Purchase Agreement draws will total approximately \$150 million in second quarter 2021
- We plan to issue approximately \$150 million Electric System Revenue Bonds in August 2021 to pay down the Wells Fargo NPA
- Other Considerations:
 - Potential refunding bond issue
 - Developing a strategy to address the 2030 – 2035 debt service spikes created by the 2010 Build America Bonds

- March 2021: Issued RFI to select the Underwriter(s) for the Bond issuance

3

New Short-term Financing Agreement

Overview

- Current Wells Fargo Note Purchase Agreement was extended through December 2021 and increased to \$150 million in 2019
- Expect to have drawn \$150 million on the NPA in second quarter 2021
- The NPA is priced based on London Interbank Offered Rate (LIBOR) which will end in June 2023
 - The financial market is still working toward an agreed LIBOR replacement

Benefits

- Match financing of capital projects with expenditures
- Reduce negative arbitrage
- Manage future liquidity balances
- Preserve financial flexibility

Current & Planned NPA Activity

- March 2021: issued RFP for a new short-term financing agreement to replace the amended Wells Fargo NPA
- New facility will interim finance 2021/2022 and 2023/2024 capital projects

4

Proposed Schedule

- Today** — Overview of 2021 financing plan
- May** • Short-term financing product selected
Bond underwriter(s) selected
- June** • PUB study session
Begin negotiations with bank for short-term financing agreement
Near final bond documents, resolution and ordinance request completed
- July** • PUB approval
GPFC presentation
City Council first and second Reading
Rating agency presentation and calls
- Aug** • Receive ratings
Investor presentation and calls
Finalize new short-term financing agreement
Price bonds
- Sept** • New short-term financing agreement
Bond issuance

5

Background and Capital Funding Plan for 2021-22



Capital Expense Budget and Forecast

- Capital Budget and 10-year Capital Improvement Plan developed with business case evaluations
- Funding assumptions apply existing bond fund sources first, then reasonable spend down of available capital and operating reserves then anticipated additional debt funding
- Provides financial stability and flexibility



Capital Financing Plan for 2021-22

Approved Capital Budget \$79.3 million

Funded by Operating Reserves \$30.8M

Funded by Capital Reserves \$48.5M

- Additional funding sources include \$500,000 existing bond funds applied and anticipated \$2 million grant for AMI meters
- Anticipated additional debt funding in 2023-24



6

Debt Refinancing Opportunities

TACOMA WATER
TACOMA PUBLIC UTILITIES

Water System, Series 2013

\$74.4 million callable on June 1, 2023

Options to Refinance for Savings

\$10.4 M Refinance in March 2023 or

\$5.3 M Refinance Early: Taxable Advance or

\$7.3 M Refinance Early: Tax-exempt Advance*

Regional Water Supply System, Series 2013

\$52.0 million callable on June 1, 2023

Options to Refinance for Savings

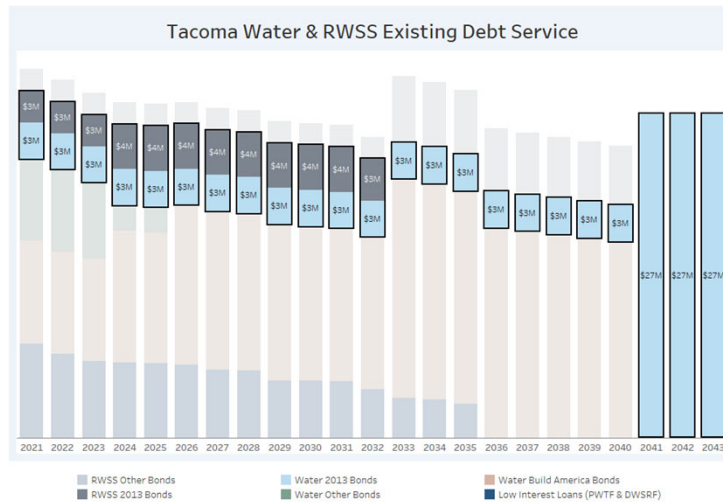
\$8.7 M Refinance in March 2023 or

\$4.4 M Refinance Early: Taxable Advance or

\$7.4 M Refinance Early: Tax-exempt Advance*

Actions will require PUB and Council support

**Tax-exempt advance refunding is currently not allowed and proposed legislation could restore the ability to issue tax-exempt advance refunding bonds. If the proposed legislation does not pass, we propose waiting until the bonds are eligible for a current refunding in early 2023*



7

Questions?



8