



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: APRIL 28, 2025

SUBJECT: AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT FOR AN AMOUNT NOT TO EXCEED \$60 MILLION TO SUPPORT THE WATER AND ELECTRIC UTILITY FOR AN ESTIMATED COST OF \$413,500 FOR THREE YEARS AND THREE MONTHS

ISSUE:

Consider approval to adopt a resolution to amend and restate a Revolving Credit Agreement for the Water and Electric Utility in an amount not to exceed \$60 million.

RECOMMENDATION(S):

That the Board of Public Utilities recommend that the City Council:

1. Conduct a public hearing in consideration to amend and extend an existing revolving credit agreement with the Water Utility for \$25 million, and with the Electric Utility for \$35 million, for an additional three years and three months for an estimated cost of \$413,500;
2. Adopt a resolution to amend and restate the existing Revolving Credit Agreement with U.S. Bank National Association for the Water and Electric Utility;
3. Approve the City's Financing Team, as described herein; and
4. Delegate to the City Manager, the Chief Financial Officer/Treasurer, the Finance Director/Assistant Chief Financial Officer, and the Public Utilities General Manager of the City (or any duly authorized designee of any of such officers) the authority to execute all documents related to this transaction.

BACKGROUND:

On May 22, 2018, the City Council approved a five-year rate plan for Riverside Public Utilities (RPU) that included a revolving credit agreement (Line of Credit) to help manage cash flow and reduce rate increases. This allowed RPU to use its cash reserves for capital projects while staying within cash reserve policy limits.

On January 22, 2019, the City Council approved a \$60 million Line of Credit with US Bank to help manage the City's cash flow needs. The agreement was signed on February 1, 2019, and was set to last for three years. The interest rate was based on London Interbank Offered Rate (LIBOR),

a widely used financial benchmark. In 2021, the financial regulator announced that LIBOR would be phased out, and it officially ended on June 30, 2023.

On January 18, 2022, the City Council approved an updated version of the credit agreement, extending it through 2025 and replacing the outdated LIBOR rate with a replacement benchmark called Bloomberg Short-Term Bank Yield Index Rate (BSBY). The rest of the agreement stayed the same. In late 2024, the City was informed that BSBY was also being discontinued. With guidance from its Municipal Advisor, PFM Financial Advisors, the City chose a new replacement rate — called Term SOFR¹, Secured Overnight Financing Rate, — as the best option if the credit line were to be used. As the agreement listed the replacement rate options in it, no amendments were actioned at this time.

Though never drawn upon, the Line of Credit helps preserve liquidity and support strong bond ratings which results in lower financing costs.

DISCUSSION:

The last Amended and Restated Revolving Credit Agreement is set to expire August 1, 2025. After reviewing the Electric and Water Utility financial plans, consulting with our Municipal Advisor, and evaluating our current position, staff recommends extending the agreement for another 3 years and 3 months.

If approved by the Board, the amended agreement will go to City Council on May 6, 2025, for final approval.

The Financing Team reached out to US Bank, the current provider, which proposed a three-year three-month extension with the same annual commitment fee of 0.20% (\$120,000 per year), assuming no draws.

Financing Team

The Financing team consists of the following City Representatives:

- RPU Management and Finance Staff
- City Attorney
- City Finance Department

The Financing team also consists of the following external parties:

- Bond Counsel: Stradling, Yocca, Carlson & Rauth
- Municipal Advisor: PFM Financial Advisors, LLC
- Underwriting Bank: U.S. Bank National Association

Fees for professional services associated with amending and restating this Line of Credit are estimated at \$23,500 and will be paid for by the Water and Electric Utility.

Good Faith Estimate

On October 9, 2017, the Governor approved Senate Bill 450 (SB 450), adding Section 5852.1 to

¹ SOFR is the standard interest rate now used to measure the cost of borrowing money. It replaced the LIBOR rate as a more reliable benchmark. For more information, you can visit the Federal Reserve Bank's website and look for their section on reference rates.

the California Government Code. SB 450 requires, prior to an issuance of bonds or other debt including the Line of Credit, a public agency disclose in a public meeting good faith financing estimates provided by an Underwriter, Municipal Advisor, or private lender. The following information was obtained from PFM Financial Advisors, as Municipal Advisor, and is provided in compliance with SB 450:

1. True Interest Cost – Assuming the Line of Credit in the amount of \$60,000,000 remains undrawn for the three-year three-month term of the agreement, a good faith estimate of the true interest cost of the Line of Credit, is 0.21%, which includes the annual issuance cost plus the 0.20% unutilized fee. This is unchanged from the prior term of the LOC.
2. Finance Charge - The sum of all fees and charges paid to third parties is \$413,500, which includes the estimated issuance costs plus three-years three-months of unutilized fees.
3. Amount of Proceeds to be Received - The amount of proceeds expected to be received from the Line of Credit less the finance charge of the Line of Credit described in 2, above, is \$0, reflecting the assumption that the Line of Credit will remain undrawn for the full term of the agreement.
4. Total Payment Amount - Assuming a \$60,000,000 Line of Credit, a good faith estimate of the total payment amount, which means the sum total of all payments RPU will make to pay debt service on the Line of Credit plus the finance charge of the Line of Credit described in paragraph 2, above, not paid with the proceeds of the Line of Credit, calculated to the final maturity of the Line of Credit, is \$0. This assumes that the line of credit will remain undrawn for the full term of the agreement.

The foregoing information constitutes good faith estimates only. The actual interest cost, finance charges, amount of proceeds and total payment amount may vary from the estimates above due to variations from these estimates in the timing of execution of the Line of Credit.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 5 – High Performing Government** and **Goal 5.4 – Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.**

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – The use of bond proceeds and cash reserve to finance capital expenditures supports the City of Riverside’s Multi-year Capital Planning Fiscal Policy.
2. **Equity** –The Line of Credit allows RPU to keep rate increases as low as possible for the ratepayers.
3. **Fiscal Responsibility** – Maintaining the Line of Credit provides RPU with the flexibility to maintain cash reserves at a financially advantageous level, it also lowers financing costs as it provides a higher credit rating on future borrowings by improving the utilities liquidity ratios.
4. **Innovation** – Adequate liquidity capacity ensures Riverside’s ability to issue low-cost tax-

exempt capital securities to expand and upgrade the utility infrastructure and meet all the future needs of its ratepayers.

5. **Sustainability & Resiliency** – Sound analysis and consideration of all funding options are the key to Riverside’s resilient and sustainable debt portfolio.

FISCAL IMPACT:

The total fiscal impact is estimated to be \$413,500 through the life of the agreement with sufficient funds available for year one in the Public Utilities’ Water and Electric Debt Related Fiscal Charges Account Numbers. 6225000-487000 and 6125000-487000. The fees for the following years will be budgeted as part of the next budget process.

Prepared by:	Meline Carranza Debt & Treasury Manager
Approved by:	David A. Garcia, Utilities General Manager
Certified as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by: Treasurer	Edward Enriquez, Assistant City Manager/Chief Financial Officer/City
Approved as to form:	Jack Liu, Interim City Attorney

Attachments:

1. Resolution
2. Agreement
3. Presentation