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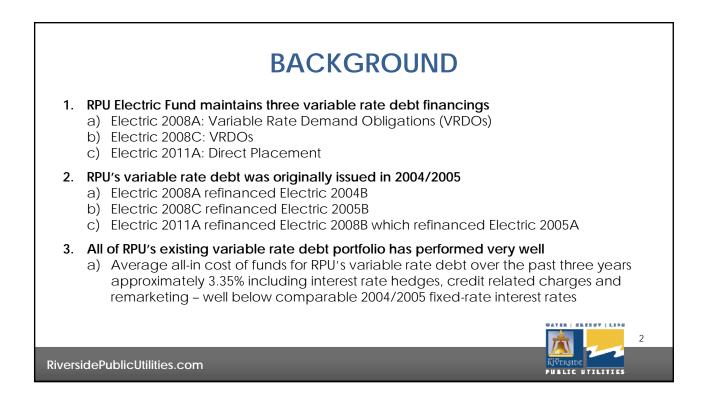


## Electric Expiring Variable Rate Bond Credit Facilities

**Public Utilities Department** 

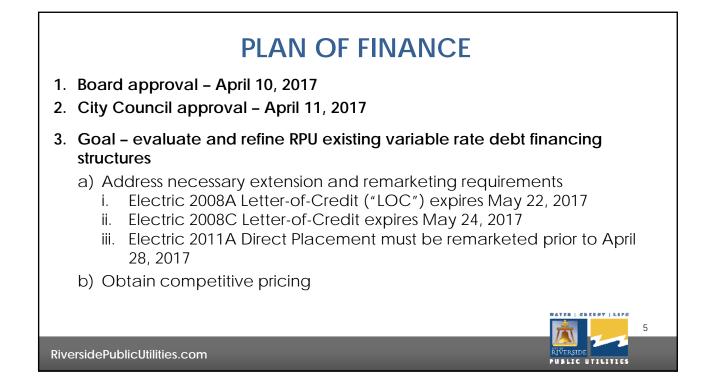
## Board of Public Utilities April 10, 2017

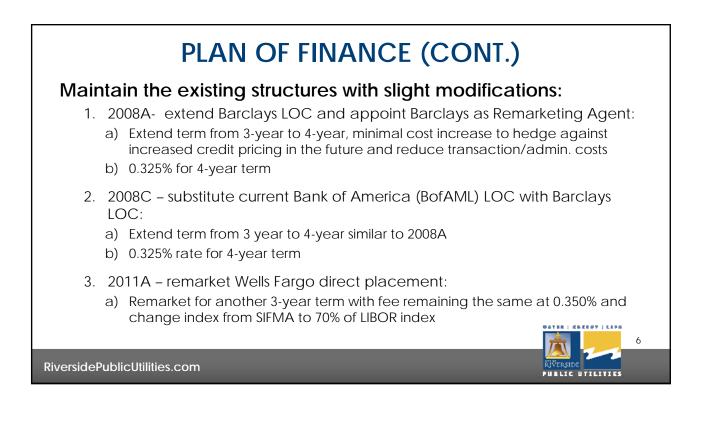
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2008A (Refunding \$70 Bonds)	0,540,000	Variable					
		Subject to Remarketing	Direct Pay LOC Barclays	0.275%	3-years	5/22/2017	Bank of America
2008C (Refunding \$41 Bonds)	1,975,000	Variable Subject to Remarketing	Direct Pay LOC Bank of America	0.390%	3-years	5/24/2017	Bank of America
2011A (Refunding \$41 Bonds)	1,925,000	Variable Rate SIFMA Index plus fixed spread	Direct Placement Wells Fargo	0.350%	3-years	4/28/2017	N/A

	KEY TERMS
1.	<ul> <li>Variable Rate Demand Obligations ("VRDOs"):</li> <li>a) Bonds that bear interest at a variable rate, which is adjusted periodically by a remarketing agent to the minimum rate required to place the bonds with investors at par</li> <li>b) Investors may "put" VRDOs back to the remarketing agent at each remarketing date</li> <li>c) Because of these features, VRDOs are liquid investments – similar to cash – and have lower yields versus fixed-rate debt, thereby providing RPU with a low-cost of borrowing</li> </ul>
2.	<ul> <li>Letter of Credit ("LOC"):</li> <li>a) Issued by a creditworthy bank (e.g. Barclays) to provide liquidity in the event that investors tender their VRDOs and the remarketing agent cannot find new investors</li> <li>b) Investors require a LOC in order to purchase RPU's VRDOs</li> </ul>
3.	<ul> <li>Direct Purchase:</li> <li>a) Similar to VRDOs in structure (i.e. variable rate, low cost) but placed directly with a bank instead of sold on the public market to investors</li> <li>b) No LOC required</li> </ul>
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## PLAN OF FINANCE BENEFITS

- 1. Hedges against higher credit costs in the future
  - a) Bank credit markets have tightened (i.e. higher costs) since RPU's last credit renewal process in 2014 and are expected to tighten further as banks implement more stringent capital requirements and pass on higher costs
  - b) Staggered renewals in 4-years (2008A/C) and 3-years (2011A) help mitigate this risk
- 2. Reduces transaction and administrative costs
  - a) By extending the term of the 2008A/C LOCs by one year to 4-years, RPU is able to amortize transaction costs over a longer period of time and will have an extra year before incurring renewal costs again
  - b) 2011A Direct Purchase structure does not require updated public market disclosure
- 3. Maintains RPU's low-cost debt structure
  - a) RPU's variable rate debt continues to provide a low and predictable cost of borrowing
  - b) Interest rate hedges continue to function as planned and remain in place to mitigate the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost **error** to the impact of higher short-term interest rates on RPU's borrowing cost

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## **FINANCING TEAM**

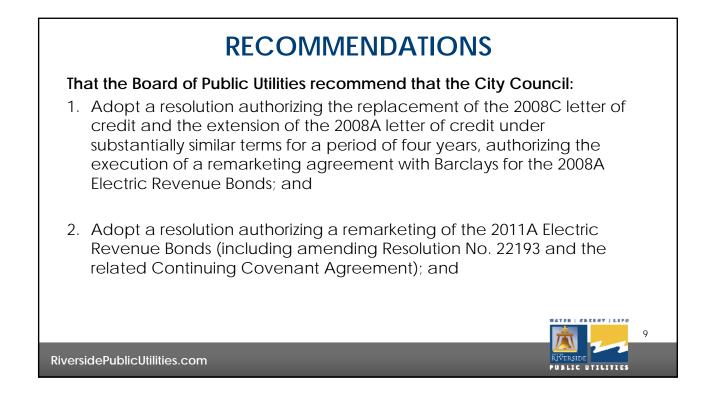
- 1. City:
  - a) City Finance Scott G. Miller, PhD, CFO/Treasurer
  - b) RPU Finance Laura Nomura, AGM-Finance
  - c) City Attorney's Office Susan Wilson, Asst. City Attorney
- 2. Financial Advisor Public Financial Management
- 3. Bond and Disclosure Counsel Stradling Yocca Carlson & Rauth
- 4. LOC Provider for Electric 2008A and 2008C Barclays Bank, PLC
- 5. Direct Purchase Lender 2011A Wells Fargo



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- 3. Authorize the City Manager, or designee, to execute all documents related to these actions and to make non-substantive revisions to those documents as needed; and
- 4. Approve and authorize expenditures for the use of Public Financial Management, Inc., as the City's financial advisor, Stradling Yocca Carlson & Rauth as the City's bond and disclosure counsel, and reimburse Barclays Bank, PLC and Wells Fargo Bank for legal costs associated with their transactions.



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