



REFUNDING ELECTRIC REVENUE BONDS, ISSUE OF 2023

Finance Department

Board of Public Utilities
September 11, 2023

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BACKGROUND

The City's RPU financing team has developed a comprehensive financing plan for the Electric Utility designed to achieve the following objectives:

1. Refinance outstanding fixed-rate bonds to provide debt service savings
2. Refinance variable-rate debt with fixed-rate debt and terminate the associated interest rate swaps to reduce risk

This plan of financing is consistent with the goals and objectives of the Five-Year Rate plan approved by City Council on May 22, 2018, and the City's Strategic Plan.



FINANCING PLAN

Core components of the financing plan include:

Refunding of 2013A Electric Bonds	Fixed Rate Refinancing of 2008A, 2008C and 2011A bonds and associated swaps
Existing 2013A electric bonds are tax-exempt fixed rate bonds	Existing 2008A, 2008C and 2011A bonds are variable rate bonds with associated swap agreements to form synthetic fixed rate debt
Refund existing bonds with new tax-exempt fixed rate bonds at a lower rate to achieve debt service savings	Refund all or a portion of 2008A, 2008C and 2011A VRDBs and terminate associate swaps with fixed rate bonds on a cost-neutral basis to de-risk debt portfolio



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ELECTRIC PLAN OF FINANCE

1. Refund \$34.4 million of 2013A Bonds for debt service savings

- a. 2013A Bonds are eligible to be refinanced on October 1, 2023
- b. RPU is proposing a fixed-rate refunding that maintains the current final maturity (2043)
- c. At current rates, refunding would generate annual cashflow savings of approximately **\$320,000** per year through 2043



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ELECTRIC PLAN OF FINANCE

2. Fixed-rate refinancing of variable rate bonds and swap terminations

- a. Electric has \$100.2 million of outstanding 2008A, 2008C and 2011A variable rate bonds (VRDBs) supported by letters of credit and hedged with interest rate swaps
- b. VRDBs have provided a lower cost of borrowing vs. fixed rate bonds, but also have more risks than fixed rate bonds
- c. Current opportunity to refinance VRDBs with fixed-rate debt and terminate the interest rate swaps at cost neutral
- d. Introduce more stable, predictable rates within the Electric System's debt portfolio
- e. Opportunity is very sensitive to market conditions



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FINANCING TEAM

1. City staff from the Public Utilities Department, Finance Department and City Attorney's Office
2. Bond & Disclosure Counsel: Stradling, Yocca, Carlson & Rauth
3. Municipal Advisor: PFM Financial Advisors, LLC
4. Swap Advisor: Omnicap Group, LLC
5. Underwriters: J.P. Morgan Securities LLC, Barclays Capital Inc., Siebert Williams Shank & Co., L.L.C. and Samuel A. Ramirez & Co., Inc.



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STRATEGIC PLAN ALIGNMENT

Strategic Priority 5 - High Performing Government

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.

Cross Cutting Threads



Community Trust



Fiscal Responsibility



Sustainability &
Resiliency



Equity



Innovation



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RECOMMENDATIONS

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

1. Approve the City's Financing Team for this transaction and authorize the Chief Financial Officer or any duly authorized designee to pay the costs of such firms in connection with the issuance of the 2023 Refunding Electric Revenue Bonds from bond proceeds;
2. Conduct a public hearing to consider the issuance of the 2023 Refunding Electric Revenue Bonds in an amount not-to-exceed \$165 million;



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RECOMMENDATIONS

3. Adopt a resolution authorizing the issuance of the 2023 Refunding Electric Revenue Bonds in an aggregate principal amount not-to-exceed \$165 million;
4. Delegate to the City's Financing Team, at the time of Bond sale, the determination of specific maturities to be refunded, the amount of interest rate swaps to be terminated and the form of new bonds as outlined in Recommendation No. 3 above; and
5. Upon closing of the 2023 Refunding Electric Revenue Bonds, authorize the Chief Financial Officer, or designee, to make the necessary budget adjustments and/or appropriations to properly record the refunding and financing expenses in accordance with governmental accounting standards.

