



ELECTRIC REVENUE BONDS, ISSUE OF 2024

Finance Department

City Council
November 7, 2023

RiversideCA.gov

1

BACKGROUND

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

1. Finance a portion of the Capital Improvement Program with proceeds of new debt
2. Refinance variable-rate debt with fixed-rate debt and terminate the associated interest rate swaps to simplify the debt portfolio

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.



2

RiversideCA.gov

2

DISCUSSION

Core components of the financing plan include:

New Money Component	Fixed Rate Refinancing of 2008A, 2008C and 2011A bonds and associated swaps
1. Finance \$156 million of new money projects with proceeds of new fixed-rate debt	1. Existing 2008A, 2008C and 2011A bonds are variable rate bonds with associated swap agreements to form synthetic fixed rate debt
2. Will fund a portion of FY23-FY27 CIP identified for bond financing and reimburse the Utility for a portion of FY22-24 capital expenditures	2. 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 simplify debt portfolio



3

RiversideCA.gov

3

ELECTRIC PLAN OF FINANCE

1. Finance \$156 million of new money projects

- a. \$133 million of projects identified in the Five-Year Capital Improvement Program plus \$23 million to reimburse Utility for prior capital expenditures
- b. Fixed-rate bonds, structured to provide level debt service over a term of 30 years
- c. Level debt service of ~\$9.4 million per annum provides budget and rate certainty.



4

RiversideCA.gov

4

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. Simplifies Electric System's debt portfolio
- e. Opportunity is very sensitive to market conditions
- f. Utility plans to fix out maturities that can be refinanced at a cost neutral with 2023 Bonds, but 2024 Bonds offer a second opportunity to fix out maturities that remain outstanding



5

RiversideCA.gov

5

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 Advisory: 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.



6

RiversideCA.gov

6

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



7

RiversideCA.gov

7

RECOMMENDATIONS

That the City Council:

1. Conduct a public hearing to consider the issuance of the 2024 Electric Revenue Bonds in an amount not-to-exceed \$290 million;
2. Approve the City's Financing Team, as described herein, 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 2024 Electric Revenue Bonds from bond proceeds;
3. Adopt a Resolution authorizing the issuance of the 2024 Electric Revenue Bonds in an aggregate amount not-to-exceed \$290 million;



8

RiversideCA.gov

8

RECOMMENDATIONS

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; and
5. With at least five affirmative votes, upon closing of the 2024 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.



9

RiversideCA.gov