



# Rail Financing

2024

**TACOMA RAIL**  
TACOMA PUBLIC UTILITIES



# Questions?

Contact Dan McCabe ([dmccabe@cityoftacoma.org](mailto:dmccabe@cityoftacoma.org))



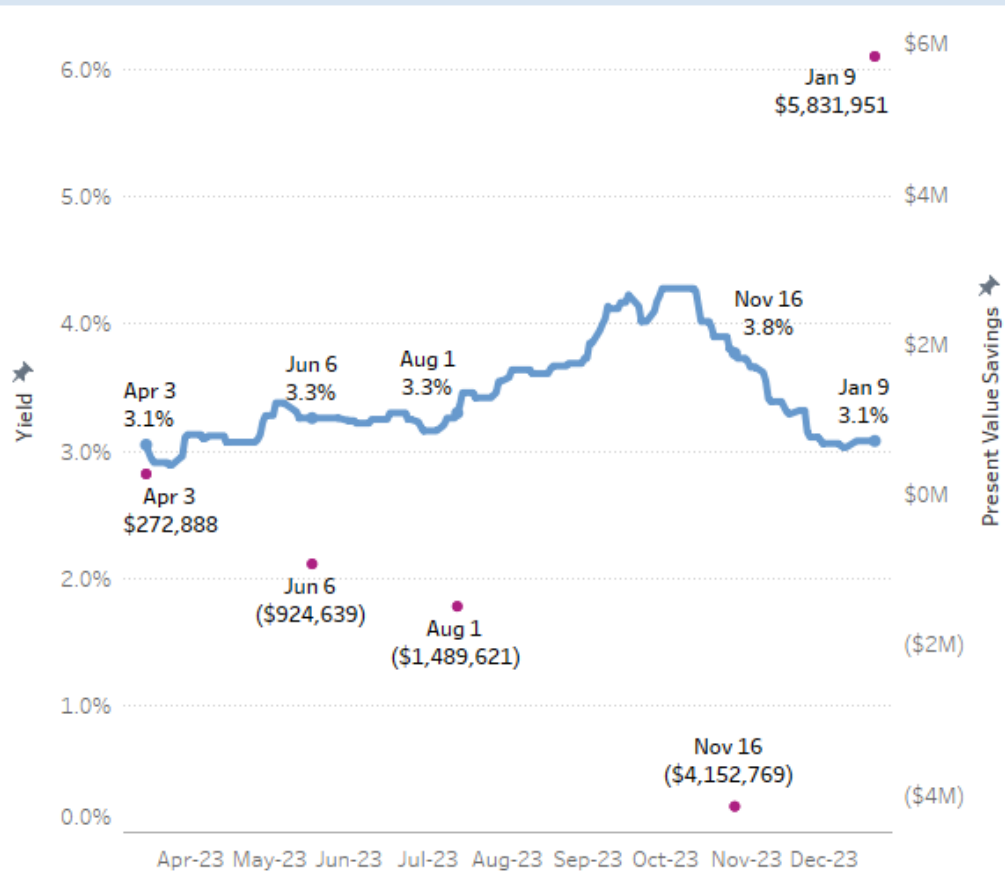
# 2024 Tacoma Water Financing Overview

Presented by Financial Stewardship for the Public Utility Board on March 27, 2024

# You can't time the market but timing is everything



Tacoma Water Savings and Benchmark



Water Benchmark - 19YR MMD      Water Savings

## Water System Revenue Refunding Bonds, Series 2024 (Green Bonds)

Ratings (Moody's / S&P)	Aa1 / AA+	Par (\$)	\$63,800,000
Pricing Date	January 9	NPV Savings (\$)	\$5,831,951
Delivery Date	January 25	NPV Savings (%)	7.8%

## Market Conditions and Impact

### Market Conditions

- Municipal yields were volatile leading up to pricing
- Supply was relative heavy the week of pricing

### Impact to 2013 Tacoma Water Bonds

- November 16 yield of 3.8% had projected dissavings of \$4.2 million
- January 9 yield of 3.1% had savings of \$5.8 million (with restructure)
- Tacoma Water bonds issue priced well relative to comparable issues

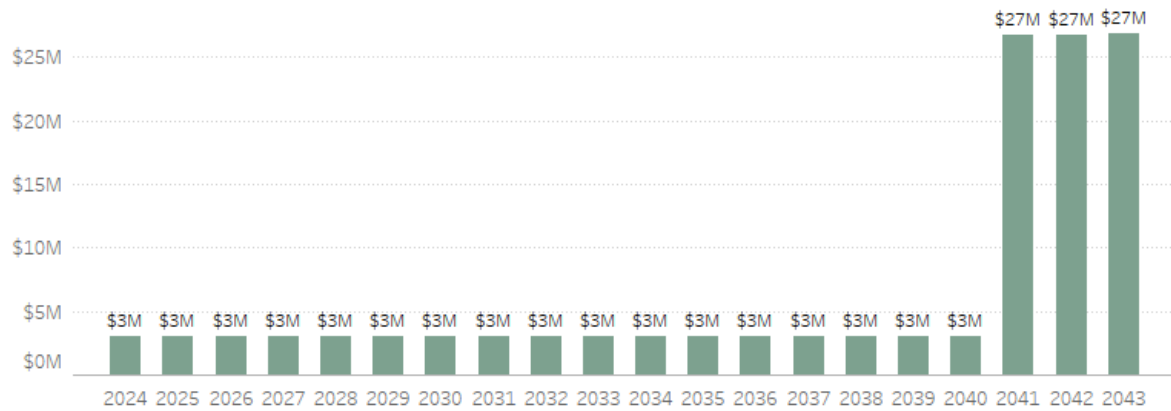
### Other Considerations

- Refunding the 2013 bonds eliminated restricted reserve requirements
- Achieved economies of scale by also defeasing the 2005 bonds

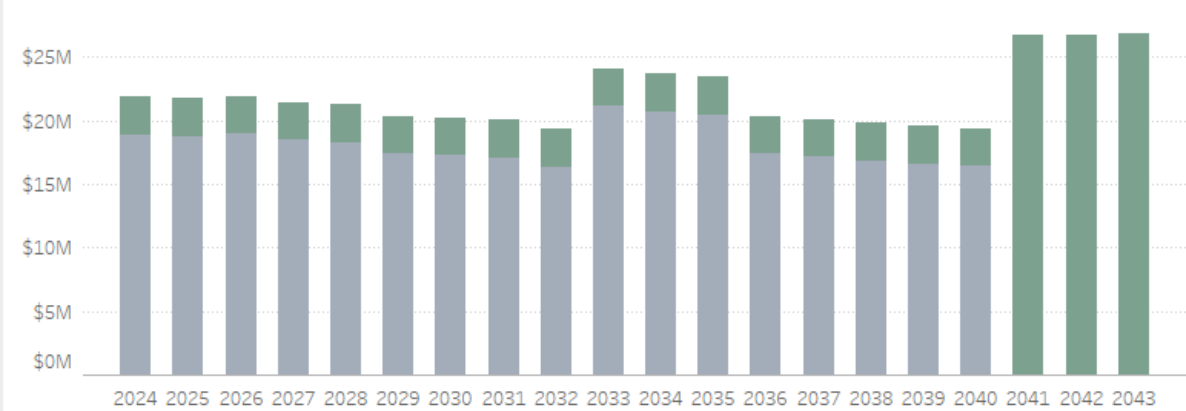
# Reshaping the refunding to levelize our debt portfolio



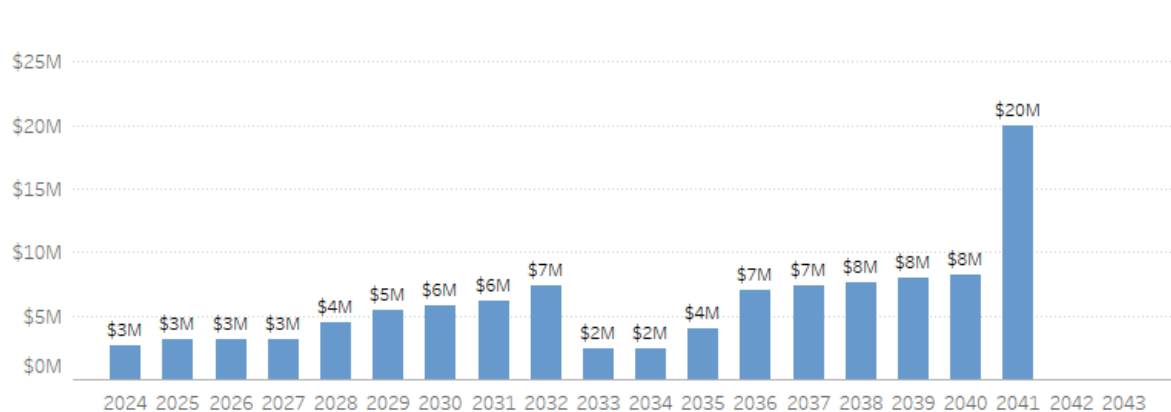
Tacoma Water 2013 Bonds Before Refunding



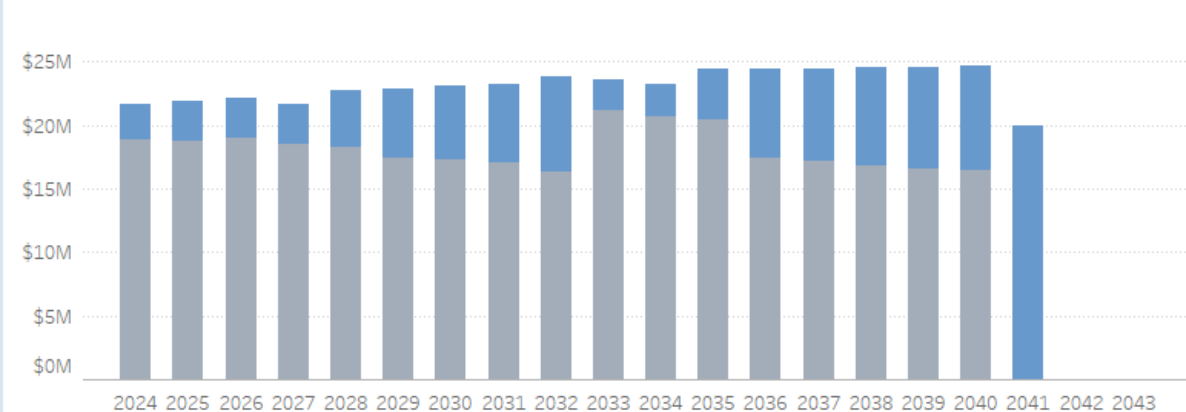
Tacoma Water Debt Service Portfolio Before 2024 Refunding



Tacoma Water 2024 Bonds After Refunding



Tacoma Water Debt Service Portfolio After 2024 Refunding



Other Bonds and Loans

2013 Water System Revenue Refunding Bonds

2024 Water System Revenue Refunding Bonds

# Well-positioned to ride market volatility



## RWSS Revenue Refunding Bonds, Series 2024 (Green Bonds)

<b>Ratings (Moody's / S&amp;P)</b>	<b>Aa1 / AA+</b>	<b>Par (\$)</b>	<b>\$32,350,000</b>
<b>Pricing Date</b>	<b>January 25</b>	<b>NPV Savings (\$)</b>	<b>\$3,685,265</b>
<b>Delivery Date</b>	<b>February 14</b>	<b>NPV Savings (%)</b>	<b>7.38%</b>

## Market Conditions and Impact

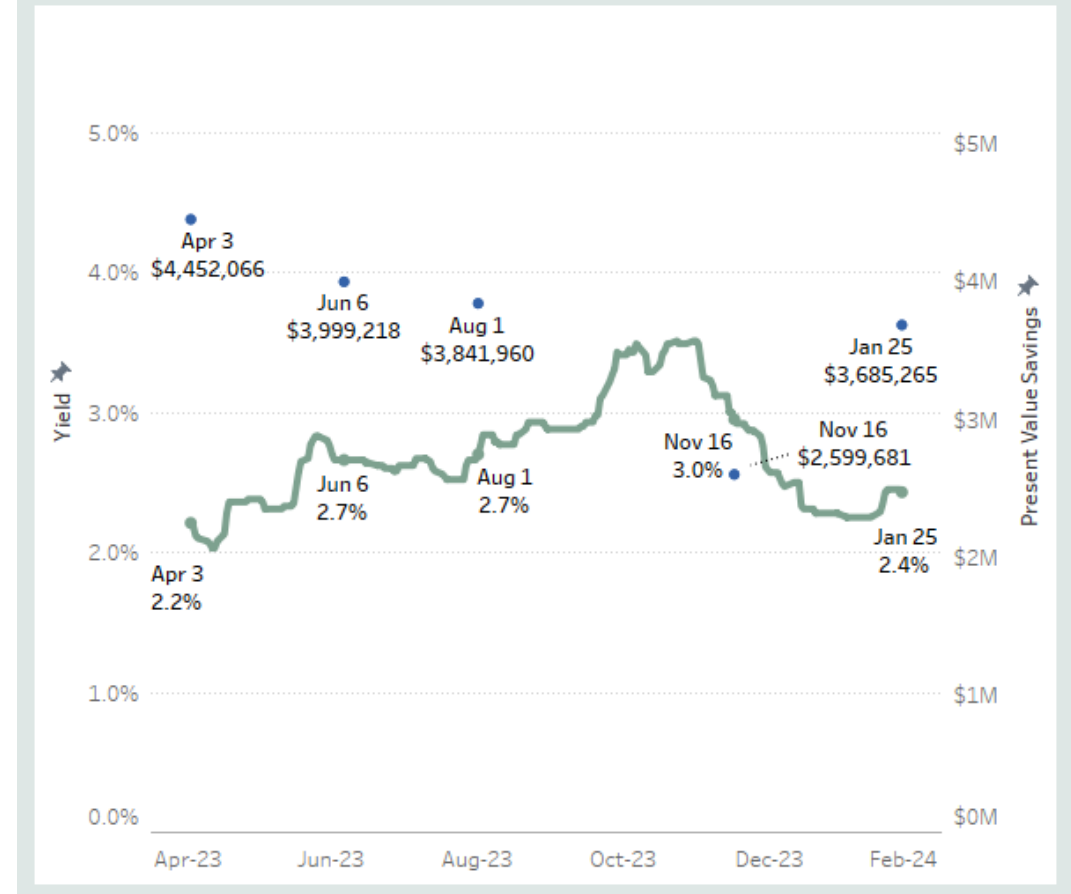
### Market Conditions

- **Municipal yields were stable the week of pricing**

### Market Impact to 2013 RWSS Bonds

- **April 3 yield of 2.2% had projected savings of \$4.4 million**
- **January 25 yield of 2.4% had savings of \$3.7 million**
- **RWSS spreads compared favorably to the other major utility transactions that priced the same week**

## RWSS Savings and Benchmark



■ RWSS Benchmark - 5YR MMD

■ RWSS Savings

# Savings to debt service and reduction to rates



## RWSS Savings at a Glance

### Reserves

- Refunding allowed us to free up **\$2.28 million** in reserves

### Contract Resource Obligations (CRO)

- As a reminder, RWSS debt service is a CRO, which is an O&M expense
- Refunding the 2013 bonds reduced our expenses by **\$2 million (NPV)**

### Rates

- Reduced expenses impact rate projections
- Saving \$2 million is approximately **2%** in rates over the next 8 years

### Other Considerations

- Covington chose to payoff their 2013 bonds in lieu of refunding
- Tacoma and Kent are the only participants with **2024 RWSS Bonds**

RWSS 2013 Bonds Before Refunding (Tacoma's Share)



RWSS 2013 Bonds Before Refunding (Tacoma's Share)



■ 2013 RWSS Revenue Refunding Bonds

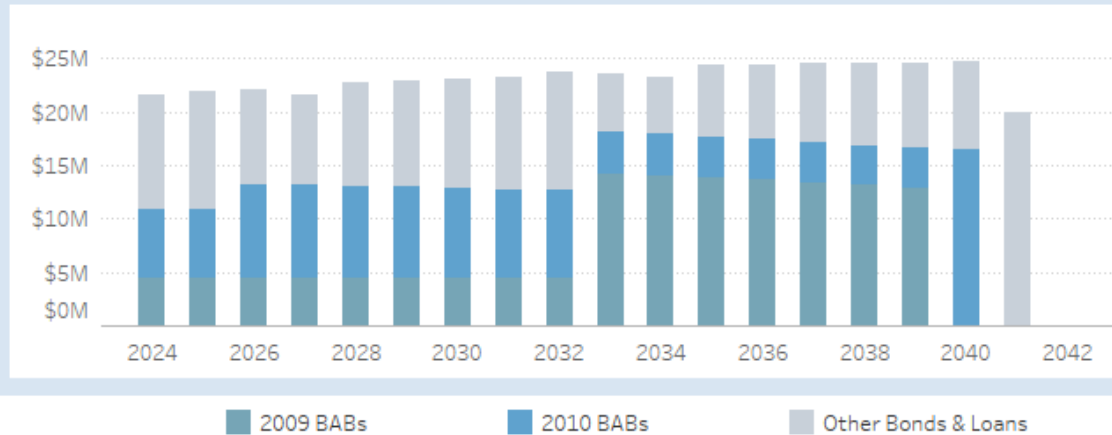
■ 2024 RWSS Revenue Refunding Bonds



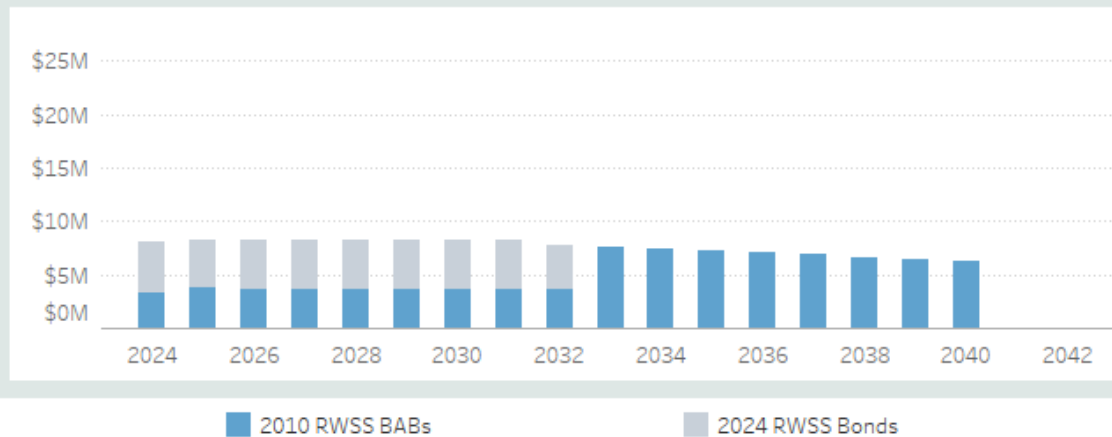
# Higher debt service due to sequestration



Tacoma Water Debt Service Portfolio



RWSS Debt Service Portfolio



## Background on Build America Bonds (BABs)

- **BABs have been attracting more attention over the last year**
- **Beginning in 2013, sequestration reduced the 35% interest subsidy for BABs**
- **We have been monitoring recent court decisions and filings from other issuers to evaluate our ability to use the ‘extraordinary event’ language to call the bonds without the make whole penalty**
- **Early analysis indicates projected savings of < 2% NPV for Water and < 1% NPV for RWSS if we were to refund in the current market**

## Subsidy Payment Revenue Offset to Debt Service

	Water	RWSS
<b>Total Payments Received to Date (2010-2023)</b>	\$38.6 million	\$10.9 million
<b>Loss From Sequestration to Date (2013-2023)</b>	<b>\$2.1 million</b>	<b>\$0.6 million</b>
<b>Est Loss with Ongoing Sequestration (2024-2040)</b>	<b>\$2.0 million</b>	<b>\$0.7 million</b>
<b>Est Loss with Elimination (2024-2040)</b>	<b>\$34.3 million</b>	<b>\$11.4 million</b>

# Questions?

Contact Jodi Collins ([jlcollins@cityoftacoma.org](mailto:jlcollins@cityoftacoma.org)) or Lyna Vo ([lvo@cityoftacoma.org](mailto:lvo@cityoftacoma.org))

# Bond Financing 2024

# 2024 Bond Issue Overview



Final Amortization		
Maturity	Series 2024A	Series 2024B
1/1/2025		3,715,000
1/1/2026		3,610,000
1/1/2027		
1/1/2028		3,795,000
1/1/2029		3,980,000
1/1/2030		4,180,000
1/1/2031		
1/1/2032		
1/1/2033		
1/1/2034		
1/1/2035		
1/1/2036	3,120,000	9,595,000
1/1/2037	3,275,000	10,070,000
1/1/2038	3,440,000	8,415,000
1/1/2039	3,610,000	
1/1/2040	3,795,000	
1/1/2041	3,985,000	
1/1/2042	4,180,000	
1/1/2043	4,390,000	
1/1/2044	4,610,000	
1/1/2049 T	26,750,000	
1/1/2054 T	34,145,000	
<b>Total</b>	<b>95,300,000</b>	<b>47,360,000</b>

T denotes Term Bond

City of Tacoma	
<b>Series:</b>	\$95,300,000 Electric System Revenue Bonds, Series 2024A (Green Bonds) \$47,360,000 Electric System Revenue Refunding Bonds, Series 2024B
<b>Ratings: (S&amp;P/Fitch)</b>	AA (stable)/AA- (stable)
<b>Interest Payment Dates:</b>	January 1 and July 1, beginning July 1, 2024
<b>Tax Status:</b>	State and Federally Tax-Exempt
<b>Call Provisions:</b>	Par Call on and after January 1, 2034
<b>Pricing Date:</b>	January 30, 2024

## January 30, 2024 Pricing Notes

- Positive market sentiment - confidence that the Fed would achieve long-run inflation target of 2%
- Total tax-exempt issuance was light. Tacoma Power was the third largest issuer
- Tacoma Power priced comparable to higher rated issuers, such as Tacoma Water RWSS and Nashville Electric
- Total orders exceeded \$2.1 billion for the \$144.150 million issuance – 14.7x oversubscribed
- Allowed us to reduce yield and cost to Tacoma Power by 15 basis points (0.15%) on average
- Some investors dropped after reduction and final orders totaled \$1.48 billion allocated to 64 institutional investors

# Savings in Debt Service



## SAVINGS

Tacoma Power  
Electric System Revenue and Refunding Bonds, Series 2024  
Final Verified Cashflows

Date	Prior Debt Service	Refunding Debt Service	Savings	Present Value to 02/15/2024 @ 3.2566027%
01/01/2025	7,144,860.00	5,793,577.78	1,351,282.22	1,321,106.99
01/01/2026	7,140,812.50	5,792,250.00	1,348,562.50	1,272,513.46
01/01/2027	2,468,750.00	2,001,750.00	467,000.00	429,007.69
01/01/2028	7,143,750.00	5,796,750.00	1,347,000.00	1,191,760.77
01/01/2029	7,140,000.00	5,792,000.00	1,348,000.00	1,154,425.84
01/01/2030	7,144,750.00	5,793,000.00	1,351,750.00	1,120,519.54
01/01/2031	1,732,000.00	1,404,000.00	328,000.00	264,791.90
01/01/2032	1,732,000.00	1,404,000.00	328,000.00	256,374.82
01/01/2033	1,732,000.00	1,404,000.00	328,000.00	248,225.30
01/01/2034	1,732,000.00	1,404,000.00	328,000.00	240,334.82
01/01/2035	1,732,000.00	1,404,000.00	328,000.00	232,695.17
01/01/2036	12,722,000.00	10,999,000.00	1,723,000.00	1,175,765.06
01/01/2037	12,717,500.00	10,994,250.00	1,723,250.00	1,138,180.69
01/01/2038	12,720,750.00	8,835,750.00	3,885,000.00	2,482,352.16
	85,003,172.50	68,818,327.78	16,184,844.72	12,528,054.22

## Refunding Debt Service Savings Breakdown

- Actual cash flow reduction= \$16,184,845;
- Savings present value\* = \$12,528,054 million;
  - \$7,533,315 from new bonds
  - \$4,994,739 from reserve funds

\* As of 2/15/2024



Questions?