



## RESOLUTION NO. U-11270

1 A RESOLUTION relating to Tacoma Power; approving a Supplemental Ordinance;  
2 authorizing the extension of and amendments to the City's Electric System  
3 Subordinate Revenue Note, Series 2020 (Taxable); authorizing an  
4 amendment to the related Note Purchase Agreement; delegating the  
5 authority to approve the final terms of the amendment; and approving other  
6 matters related thereto.

7 WHEREAS pursuant to Ordinance No. 28295 adopted on April 21, 2015, as  
8 amended (the "Master Subordinate Ordinance"), and Ordinance No. 28669 adopted  
9 on May 5, 2020 (the "First Subordinate Ordinance"), the City of Tacoma,  
10 Washington (the "City"), acting through its Department of Public Utilities, Light  
11 Division (d/b/a "Tacoma Power") issued its Electric System Subordinate Revenue  
12 Note, Series 2020 (Taxable), to evidence a revolving line of credit in the principal  
13 amount of not to exceed \$100,000,000 outstanding at any time (the "2020 Note"),  
14 and

15 WHEREAS the 2020 Note was sold to and purchased by KeyBank National  
16 Association ("KeyBank") by private sale pursuant to the terms of the Note  
17 Purchase Agreement dated May 21, 2020 (the "Original Note Purchase  
18 Agreement"), between KeyBank and the City, acting by and through its Public  
19 Utilities Board (the "Board"), and

20 WHEREAS implementation of the 2020 Note and the Original Note  
21 Purchase Agreement has provided liquidity and financial sustainability and  
22 increased Tacoma Power's fiscal position, all of which are consistent with City  
23 policy and fundamental to sound long range planning and government  
24 performance, and  
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1           WHEREAS the Board hereby finds that it would be beneficial for Tacoma  
2 Power to extend the expiration date of the 2020 Note and to decrease the  
3 aggregate principal amount available under the 2020 Note of not to exceed  
4 \$100,000,000 to not to exceed \$50,000,000 outstanding at any time to be more  
5 aligned with the current financial needs of Tacoma Power, and  
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7           WHEREAS KeyBank has offered to provide Tacoma Power the option of  
8 converting a portion of the revolving line of credit represented by the 2020 Note to  
9 a letter of credit in the event that such form of credit facility is needed to satisfy  
10 certain collateral obligations of Tacoma Power under its power purchase and other  
11 agreements, and Tacoma Power finds this option to be beneficial to its operations,  
12 and  
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14           WHEREAS to extend the expiration date, provide for the option to convert a  
15 portion of the line of credit represented by the 2020 Note to a letter of credit, and  
16 decrease the available principal amount of the credit facility in all forms to  
17 \$50,000,000 outstanding at any time, Tacoma Power has requested and KeyBank  
18 has agreed to enter into an amendment to the Original Note Purchase Agreement  
19 (the "First Amendment" and together with the Original Note Purchase Agreement,  
20 as it may be further amended, the "Note Purchase Agreement"), and  
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23           WHEREAS pursuant to Tacoma City Charter Section 4.11, the Board is  
24 required to initiate and approve all matters related to the incurrence of  
25 indebtedness and the issuance of bonds on behalf of Tacoma Power, and then  
26 forward such matters to the Council of the City for concurring approval, and



1           WHEREAS the form of authorizing ordinance (the “Supplemental  
2 Ordinance”) has been presented to the Board and a copy of such document is on  
3 file with the Clerk of the Board, and  
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5           WHEREAS the Board hereby recommends to the Council of the City that it  
6 is in the best interest of the citizens of Tacoma that the Supplemental Ordinance  
7 be approved by the Board and passed by the Council of the City to accomplish the  
8 purposes set forth therein; Now, Therefore,  
9

10 BE IT RESOLVED BY THE PUBLIC UTILITY BOARD OF THE CITY OF TACOMA:

11           Sec. 1. Subject to the parameters set forth in Section 2 of this resolution,  
12 the request to extend the term, to provide for the option to convert a portion of the  
13 line of credit represented by the 2020 Note to a letter of credit, and decrease the  
14 available principal amount of the credit facility in all forms to \$50,000,000, is  
15 hereby approved.  
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17           Sec. 2. The Board requests that the City Council delegate to the Director of  
18 Utilities and the Tacoma Power Superintendent, or their designees (each, a  
19 “Designated Representative”) for a limited time the authority to approve the terms  
20 of the First Amendment, so long as:  
21

22           (a) The available principal amount of the 2020 Note that may be  
23 outstanding at any time does not exceed \$50,000,000 (reduced from  
24 \$100,000,000);

25           (b) The final maturity of the 2020 Note is no later than December 1,  
26 2024; and



1 (c) The interest rate on draws on the line of credit represented by the  
2 2020 Note does not exceed a variable rate equal to the one-month LIBOR rate  
3 (subject to one-month LIBOR being a minimum of 0 basis points) plus 50 basis  
4 points for funds used, and 20 basis points for funds not drawn under the Note  
5 Purchase Agreement, as such terms may be adjusted under the Note Purchase  
6 Agreement; provided, that the 2020 Note may be subject to a standby letter of  
7 credit fee of not to exceed 125 basis points and an issuance fee of not to exceed  
8 \$200 for the portion, if any, of the 2020 Note converted to a letter of credit in  
9 accordance with the Note Purchase Agreement, and to a default rate upon the  
10 occurrence and continuation of an Event of Default as provided for in the Note  
11 Purchase Agreement.  
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14 Sec. 3. The terms and conditions of the proposed Supplemental Ordinance  
15 and the treatment of the amended and extended 2020 Note are hereby approved,  
16 and the Council of the City is requested to concur in this approval by the passage  
17 of the same at the earliest opportunity in the final form approved by the City  
18 Attorney.  
19

20 Upon passage of the Supplemental Ordinance, each Designated  
21 Representative is delegated authority to approve the final terms and conditions of  
22 the First Amendment in coordination with Bond Counsel, the Municipal Advisor and  
23 the City Attorney's Office subject to the terms set forth herein and in the  
24 Supplemental Ordinance, and to execute and implement the First Amendment  
25 (including the payment of any financing costs associated with the delivery of the  
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First Amendment) and any other certificates or other documents in connection therewith. Furthermore, each Borrower Representative (as defined in the Supplemental Ordinance) is authorized to take all actions necessary to administer and implement the amended and extended 2020 Note and the Note Purchase Agreement, including but not limited to submitting requests for draws thereunder.

Sec. 4. This resolution shall become effective immediately upon its adoption.

Approved as to form and legality:

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Pacifica Law Group LLP,  
Bond Counsel

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Clerk

Adopted \_\_\_\_\_



**TO:** Jackie Flowers, Director of Utilities  
**COPY:** Charleen Jacobs, Director and Board Offices  
**FROM:** Bill Berry, Rates, Planning, and Analysis Manager  
**MEETING DATE:** July 14, 2021  
**DATE:** July 1, 2021

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**SUMMARY:**

Tacoma Power's 2021 financing plan involves three components requiring approval by the Public Utility Board and the City Council.

**This Board Action Memo addresses the authorization to amend and extend Tacoma Power's 2020 Note Purchase Agreement (2020 NPA) with KeyBank to reduce general liquidity and costs.**

The proposed Supplemental Ordinance and Resolution that amends and extends the KeyBank 2020 NPA has been drafted by Tacoma Power's Bond Counsel, Pacifica Law Group LLP (Pacifica), in collaboration with Tacoma Power's Financial Advisor, Montague DeRose, and Associates (MDA), Tacoma Power staff and attorney, and the City Assistant Finance Director.

**STRATEGIC POLICY PRIORITY:**

The strategic policy priority best aligned to this action is to "Strengthen and maintain a strong fiscal management position."

The 2020 NPA with KeyBank provides general liquidity for any purpose deemed necessary. Amending and extending the liquidity agreement will help maintain financial flexibility with the aim to limit rate increases over the next biennium. It is viewed by two of the three rating agencies as enhanced liquidity to meet our Electric Rate and Financial Policy goal of maintaining financial metrics of an AA-level utility. Additionally, utilization of the agreement would only be for emergency purposes, and thus the 2020 NPA is a low-cost option to achieve those metrics and keep rates low.

**BACKGROUND:**

**General Liquidity Note Purchase Agreement**

In October 2014, Tacoma Power solicited proposals from qualified firms for short-term funding products and reviewed responses from eleven financial firms. From that pool of respondents, Wells Fargo and KeyBank offered the lowest cost and most flexible options for interim capital financing and general liquidity financing, respectively.

On May 1, 2015, Tacoma Power executed a Note Purchase Agreement (2015 NPA) with KeyBank providing a three-year commitment for a revolving line of credit for \$25 million,



## Board Action Memorandum

with the option to increase the amount to \$50 million. In connection with the execution of the 2015 NPA with KeyBank, the City issued its Electric System Subordinate Revenue Note, Series 2015B to evidence the line of credit. However, Tacoma Power did not need to use the agreement to improve liquidity financial metrics or finance operations and let the agreement lapse in May 2018.

In 2020, Tacoma Power entered the year with lower revenues, increased expenses, and a lower cash position from a near-critical water year in 2019. In addition, the COVID-19 pandemic was expected to create an economic downturn that would reduce Tacoma Power's revenues and liquidity.

At the request of Tacoma Power, MDA solicited pricing from several banks for a new short-term agreement to meet liquidity financial metrics and assist with operational expenses. MDA determined that a new KeyBank agreement allowed for the more cost effective and efficient management of liquidity needs after evaluating numerous financing options. In 2020, Tacoma Power entered into the \$100 million 2020 NPA with KeyBank to evidence a revolving line of credit and issued the related subordinate lien revenue note to supplement liquidity with pricing that reflected the uncertainty of the market during the pandemic.

Tacoma Power's liquidity remained stable in 2020, with an above-average water-year offsetting the impacts of the pandemic, and the utility forecasts that it will not need the full \$100 million of additional liquidity over the next few years. At the request of Tacoma Power, MDA requested pricing from KeyBank for a reduced available amount and an extension in the maturity terms.

Tacoma Power seeks approval for the delegation of authority to the Director of Utilities and Power Superintendent, or their designees, to amend the 2020 NPA with KeyBank and the related Electric System Subordinate Revenue Note providing a commitment for a revolving line of credit of not to exceed \$50 million for three years within limits defined by the Subordinate Ordinance.

In addition, the amendment gives Tacoma Power the option to utilize the notional amount as a letter of credit, should Tacoma Power need to provide a guarantee of performance under a power contract in the Wholesale market, or for any other reason.



**Board Action Memorandum**

**PRELIMINARY TERMS:**

Pricing for a three-year, \$50 million Note Purchase Agreement with KeyBank is as follows compared to the existing agreement:

	<u>Existing Agreement</u>	<u>Proposal</u>
<b>Maturity:</b>	May 2022	December 2024
<b>Notional Amount:</b>	\$100,000,000	\$50,000,000
<b>Interest Benchmark:</b>	LIBOR with language for a replacement benchmark	LIBOR with language for a replacement benchmark
<b>Origination fee:</b>	0.25% one-time fee (\$250,000)	0%
<b>Utilized fee:</b>	100% of one month LIBOR, with minimum LIBOR rate of 0.50%, + 1.75% on drawn amount	100% of one month LIBOR + 0.50% on drawn amount
<b>Unutilized fee:</b>	0.35% fee annually (\$350,000)	0.20% fee annually (\$100,000 if not used)
<b>Standby Letter of Credit Option</b>	Not part of original agreement	1.25% fee annually + \$200 issuance fee
<b>Issuance Cost:</b>	\$132,000 (Bond Counsel, Bank Counsel, Municipal Advisor fees)	\$100,000 (Bond Counsel, Bank Counsel, Municipal Advisor fees)
<b>Est. Annual All-In Cost:</b>	\$541,000 (unutilized) to \$2.44 million (fully utilized)	\$135,000 (unutilized) to \$330,000 (fully utilized)

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?**

Biennial expenditures for Bond Counsel and external Financial Advisory services were included in the 2021/2022 budget up to \$325,000.

The estimated annual debt service cost of the current KeyBank NPA is \$350,000 (unutilized) and was included in the Tacoma Power 2021/2022 budget.

**IF THE EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.**

N/A

**ATTACHMENTS:** Ordinances and Resolutions

**CONTACT:** Bill Berry, Rates, Power Planning, and Analysis Manager, 253.502.8294  
Michelle Brown, Power Financial Planning Analyst, 253.441.4908





**TO:** Mayor and City Council  
**FROM:** Jackie Flowers, Director of Utilities  
**COPY:** Elizabeth Pauli, City Manager and Doris Sorum, City Clerk  
**SUBJECT:** Tacoma Power KeyBank Note Purchase Agreement  
**DATE:** July 20, 2021

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**SUMMARY:**

Tacoma Power's 2021 financing plan involves three components requiring approval by the Public Utility Board and the City Council.

**This Council Action Memo addresses the authorization to amend and extend Tacoma Power's 2020 Note Purchase Agreement (2020 NPA) with KeyBank to reduce general liquidity and costs.**

The proposed Supplemental Ordinance and Resolution that amends and extends the KeyBank NPA has been drafted by Tacoma Power's Bond Counsel, Pacifica Law Group LLP (Pacifica), in collaboration with Tacoma Power's Financial Advisor, Montague DeRose and Associates (MDA), Tacoma Power staff and attorney, and the City Assistant Finance Director.

**STRATEGIC POLICY PRIORITY:**

The strategic policy priority best aligned to this action is to "Strengthen and maintain a strong fiscal management position."

The 2020 NPA with KeyBank provides general liquidity for any purpose deemed necessary. Amending and extending the liquidity agreement will help maintain financial flexibility with the aim to limit rate increases over the next biennium. It is viewed by two of the three rating agencies as enhanced liquidity to meet our Electric Rate and Financial Policy goal of maintaining financial metrics of an AA-level utility. Additionally, utilization of the agreement would only be for emergency purposes, and thus the 2020 NPA is a low cost option to achieve those metrics and keep rates low.

**BACKGROUND:**

**General Liquidity Note Purchase Agreement**

In October 2014, Tacoma Power solicited proposals from qualified firms for short-term funding products and reviewed responses from eleven financial firms. From that pool of respondents, Wells Fargo and KeyBank offered the lowest cost and most flexible options for interim capital financing and general liquidity financing, respectively.

On May 1, 2015, Tacoma Power executed a Note Purchase Agreement (2015 NPA) with KeyBank providing a three-year commitment for a revolving line of credit for \$25 million, with the option to increase the amount to \$50 million. In connection with the execution of the NPA



with KeyBank, the City issued its Electric System Subordinate Revenue Note, Series 2015B to evidence the line of credit. However, Tacoma Power did not need to use the agreement to improve liquidity financial metrics or finance operations and let the agreement lapse in May 2018.

In 2020, Tacoma Power entered the year with lower revenues, increased expenses, and a lower cash position from a near-critical water year in 2019. In addition, the COVID-19 pandemic was expected to create an economic downturn that would reduce Tacoma Power's revenues and liquidity.

At the request of Tacoma Power, MDA solicited pricing from several banks for a new short-term agreement to meet liquidity financial metrics and assist with operational expenses. MDA determined that a new KeyBank agreement allowed for the more cost effective and efficient management of liquidity needs after evaluating numerous financing options. In 2020, Tacoma Power entered into the \$100 million 2020 NPA with KeyBank to evidence a revolving line of credit and issued the related subordinate lien revenue note to supplement liquidity with pricing that reflected the uncertainty of the market during the pandemic.

Tacoma Power's liquidity remained stable in 2020, with an above-average water-year offsetting the impacts of the pandemic, and the utility forecasts that it will not need the full \$100 million of additional liquidity over the next few years. At the request of Tacoma Power, MDA requested pricing from KeyBank for a reduced available amount and an extension in the maturity terms.

Tacoma Power seeks approval for the delegation of authority to the Director of Utilities and Power Superintendent, or their designees, to amend the 2020 NPA with KeyBank and the related Electric System Subordinate Revenue Note providing a commitment for a revolving line of credit of not to exceed \$50 million for three years within limits defined by the Subordinate Ordinance.

**ISSUES:**

Tacoma Power and MDA note the following considerations concerning a three-year agreement with KeyBank:

- The KeyBank NPA will supplement Tacoma Power's liquidity in order to meet financial metrics of an AA level utility, consistent with the goals of the Tacoma Power Electric Rates and Financial Policy. While we anticipate that this agreement will only be used to supplement liquidity or in an emergency situation, the facility can be utilized for any purpose deemed necessary.
- Tacoma Power does not expect to draw on the NPA. The unutilized fee is 20 basis points, or \$100,000 annually for a \$50 million bank line of credit.
- The amendment gives Tacoma Power the option to utilize the available amount as a letter of credit, should Tacoma Power need to provide a guarantee of performance



under a power contract in the Wholesale market, or for any other reason.

- The London Interbank Offered Rate (LIBOR), which is a borrowing benchmark used globally, is scheduled to phase out and no longer be available in June 2023. This benchmark is commonly used to calculate interest rates paid on amounts borrowed in bank lending agreements. The market has not settled on an alternative benchmark, so the pricing of another potential benchmark, will be part of the negotiation process.

**PRELIMINARY TERMS:**

Pricing for a three-year, \$50 million Note Purchase Agreement with KeyBank is as follows compared to the existing agreement:

	<u>Existing Agreement</u>	<u>Proposal</u>
<b>Maturity:</b>	May 2022	December 2024
<b>Principal Amount:</b>	\$100,000,000	\$50,000,000
<b>Interest Benchmark:</b>	LIBOR with language for a replacement benchmark	LIBOR with language for a replacement benchmark
<b>Origination fee:</b>	0.25% one-time fee (\$250,000)	0%
<b>Utilized fee:</b>	100% of one month LIBOR, with minimum LIBOR rate of 0.50%, + 1.75% on drawn amount	100% of one month LIBOR + 0.50% on drawn amount
<b>Unutilized fee:</b>	0.35% fee annually (\$350,000)	0.20% fee annually (\$100,000 if not used)
<b>Standby Letter of Credit Option</b>	Not part of original agreement	1.25% fee annually + \$200 issuance fee
<b>Issuance Cost:</b>	\$132,000 (Bond Counsel, Bank Counsel, Municipal Advisor fees)	\$100,000 (Bond Counsel, Bank Counsel, Municipal Advisor fees)
<b>Est. Annual All-In Cost:</b>	\$541,000 (unutilized) to \$2.44 million (fully utilized)	\$135,000 (unutilized) to \$330,000 (fully utilized)

**ALTERNATIVES:**

Tacoma Power solicited alternative proposals in March through an RFP process for a new short-term financing facility. In response to Tacoma Power's RFP, Bank of America offered an alternative to the KeyBank agreement with a higher all-in rate than the preliminary agreement terms listed above. If Tacoma Power does not amend and extend the 2020 NPA with KeyBank, Tacoma Power would continue to use the current \$100 million 2020 NPA with KeyBank and pay a higher cost.



**RECOMMENDATION:**

Tacoma Power recommends approval to reduce the general liquidity agreement with KeyBank from \$100 million to \$50 million and extend it through December 1, 2024 to enhance liquidity metrics at favorable pricing compared to other liquidity options and proposals.

**FISCAL IMPACT TO THE CURRENT BIENNIUM:**

Biennial expenditures for Bond Counsel and external Financial Advisory services were included in the 2021/2022 budget up to \$325,000.

The estimated annual debt service cost of the current 2020 NPA is \$350,000 (unutilized) and was included in the Tacoma Power 2021/2022 budget.

**ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED?** Yes.



Req. # \_\_\_\_\_

## SUPPLEMENTAL ORDINANCE NO.

1 A SUPPLEMENTAL ORDINANCE of the City of Tacoma, Washington, relating to  
2 Tacoma Power, authorizing the extension of and amendments to the City's  
3 Electric System Subordinate Revenue Note, Series 2020 (Taxable);  
4 authorizing an amendment to the related Note Purchase Agreement;  
5 delegating the authority to approve the final terms of the amendment; and  
6 approving certain other matters in connection therewith.

7 WHEREAS the City of Tacoma, Washington ("City"), by Ordinance  
8 No. 23514, passed on November 20, 1985 (as amended and supplemented,  
9 including as amended and restated by Ordinance No. 28146, passed on April 30,  
10 2013, collectively, the "Senior Bond Ordinance"), authorized electric system  
11 revenue bonds of the City ("Senior Bonds") to be issued in series having a parity of  
12 lien and charge on the Revenues of the Electric System after the payment of  
13 Operating Expenses (as those terms are defined therein), if certain conditions are  
14 met, and made covenants in connection with the issuance of such Senior Bonds,  
15 and

16 WHEREAS the Senior Bond Ordinance permits the City to issue obligations  
17 that are junior and subordinate to the payment of the Senior Bonds and that are  
18 payable out of Revenues of the Electric System, after payment of Operating  
19 Expenses, only after the prior payment of all amounts required to be paid or set  
20 aside under the Senior Bond Ordinance for the Senior Bonds, as the same shall  
21 become due at the times and in the manner as required in the Senior Bond  
22 Ordinance, and

23 WHEREAS on April 21, 2015, the City Council passed Ordinance No. 28295  
24 (as amended, the "Master Subordinate Ordinance") to authorize a new issue of  
25  
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1 revenue bonds of the City, junior and subordinate to the Senior Bonds, to be  
2 known as the City of Tacoma Electric System Subordinate Revenue Bonds  
3 ("Subordinate Bonds") in one or more series to finance costs of the Electric  
4 System, and

5  
6 WHEREAS pursuant to the Master Subordinate Ordinance and Ordinance  
7 No. 28669 adopted on May 5, 2020 (the "First Subordinate Ordinance"), the City,  
8 acting through its Department of Public Utilities, Light Division (d/b/a "Tacoma  
9 Power") issued its Electric System Subordinate Revenue Note, Series 2020  
10 (Taxable), to evidence a revolving line of credit in the principal amount of not to  
11 exceed \$100,000,000 outstanding at any time (the "2020 Note"), and

12  
13 WHEREAS the 2020 Note was sold to and purchased by KeyBank National  
14 Association ("Purchaser") by private sale pursuant to the terms of the Note  
15 Purchase Agreement dated May 21, 2020 (the "Original Note Purchase  
16 Agreement"), between the Purchaser and the City, acting by and through its Public  
17 Utilities Board (the "Board"), and

18  
19 WHEREAS implementation of the 2020 Note and the Original Note  
20 Purchase Agreement has provided liquidity and financial sustainability and  
21 increased Tacoma Power's fiscal position, all of which are consistent with City  
22 policy and fundamental to sound long range planning and government  
23 performance, and

24  
25 WHEREAS the Board has initiated and has recommended to the City  
26 Council for its approval the extension of the expiration date of the 2020 Note, the  
option to convert a portion of the line of credit represented by the 2020 Note to a





1 terms used herein shall have the meanings set forth in the Master Subordinate  
2 Ordinance, as previously amended.

3  
4 ARTICLE II

5 PARITY AND OTHER FINDINGS

6 Section 2.1. Parity Findings. In connection with the 2020 Note, the City  
7 hereby makes the following findings:

8 A. There is, and as of the effective date of the First Amendment there will  
9 be, no deficiency in the Bond Fund, and no Event of Default has occurred or shall  
10 have occurred and being continuing.

11 B. The principal of and interest on the 2020 Note shall continue to be paid  
12 out of the Bond Fund and subject to the terms of the Master Subordinate  
13 Ordinance, the First Supplemental Ordinance, and the Note Purchase Agreement.

14 C. On the effective date of the First Amendment, there will be on file with  
15 the City, if necessary, a certificate satisfying the conditions set forth in Section 6.1  
16 of the Master Subordinate Ordinance.

17  
18 Section 2.2. Findings as to Sufficiency of Gross Revenue. The City hereby  
19 confirms, finds, and determines that the Revenues of the Electric System at the  
20 rates to be charged for power and other services and commodities from the  
21 Electric System will be more than sufficient to meet all Operating Expenses, to  
22 make all required payments with respect to the Senior Bonds, and to permit the  
23 setting aside into the Bond Fund out of the Revenues of amounts sufficient to pay  
24 the principal of and interest on the 2020 Note as decreased and extended and  
25 when due at maturity and upon any mandatory sinking fund redemption thereof.  
26





1 The City further finds and determines that in creating the Bond Fund and in fixing  
2 the amounts to be paid into the Bond Fund, it has exercised due regard for  
3 Operating Expenses, and the City has not bound and obligated itself to set aside  
4 and pay into the Bond Fund a greater amount or proportion of the Revenues than  
5 in the judgment of the City will be available over and above the Operating  
6 Expenses.  
7

### 8 ARTICLE III

### 9 AUTHORIZATION

#### 10 Section 3.1. Authorization.

11  
12 A. The City Council has determined that it would be in the best interest of  
13 the City to delegate to the Director of Public Utilities and the Tacoma Power  
14 Superintendent (the "Designated Representatives"), for a limited time the authority  
15 to extend the term of the 2020 Note, to approve the terms relating to the option to  
16 convert a portion of the revolving line of credit represented by the 2020 Note to a  
17 letter of credit, to decrease the available principal amount of the 2020 Note, and to  
18 approve the terms of the First Amendment, as provided herein.  
19

20 Subject to the terms and conditions set forth in this Section 3.1, each  
21 Designated Representative is hereby authorized to approve the final term of the  
22 2020 Note, to approve the terms relating to the option to convert a portion of the  
23 line of credit represented by the 2020 Note to a letter of credit, to decrease the  
24 available principal amount of the 2020 Note, to approve the final terms of the  
25 First Amendment and to agree to any additional terms and covenants that are in  
26



1 the best interest of the City and consistent with this Supplemental Ordinance,  
2 provided that:

3 (a) The available principal amount of the 2020 Note that may be  
4 outstanding at any time does not exceed \$50,000,000 (reduced from  
5 \$100,000,000);  
6

7 (b) The final maturity of the 2020 Note is no later than December 1,  
8 2024; and

9 (c) The interest rate on draws on the line of credit represented by the  
10 2020 Note does not exceed a variable rate equal to the one-month LIBOR rate  
11 (subject to one-month LIBOR being a minimum of 0 basis points) plus 50 basis  
12 points for funds used, and 20 basis points for funds not drawn under the Note  
13 Purchase Agreement, as such terms may be adjusted under the Note Purchase  
14 Agreement; provided, that the 2020 Note may be subject to a standby letter of  
15 credit fee of not to exceed 125 basis points and an issuance fee of not to exceed  
16 \$200 for the portion, if any, of the 2020 Note converted to a letter of credit in  
17 accordance with the Note Purchase Agreement, and to a default rate upon the  
18 occurrence and continuation of an Event of Default as provided for in the Note  
19 Purchase Agreement.  
20  
21

22 Subject to the terms and conditions set forth in this Section 3.1, each  
23 Designated Representative is hereby authorized to approve the final terms and  
24 conditions of the First Amendment in coordination with Bond Counsel, the  
25 Financial Advisor and the City Attorney's Office, to agree to any additional  
26 terms and covenants that are in the best interest of the City and consistent with



1 this Supplemental Ordinance, and to execute and implement the First  
2 Amendment (including the payment of any financing costs associated with the  
3 delivery of the First Amendment), and such approval shall be conclusively  
4 evidenced by his or her execution thereof.

5  
6 The authority granted to the Designated Representatives by this section  
7 shall expire on December 31, 2021. If the First Amendment has not been  
8 executed by such date, the authorization provided herein shall be rescinded,  
9 and the First Amendment shall not be executed and the replacement 2020 Note  
10 shall not be delivered to the Purchaser unless such authority has been re-  
11 authorized by ordinance of the City Council at the request of the Board.

12  
13 B. The terms of the 2020 Note shall otherwise be as set forth in the Note  
14 Purchase Agreement. The principal of and interest on the 2020 Note shall be due  
15 and payable at the rates, on the dates, and in the manner as set forth in the Note  
16 Purchase Agreement. The 2020 Note shall be subject to mandatory and optional  
17 redemption and to mandatory tender for purchase prior to maturity on the dates  
18 and at the prices as set forth in the Note Purchase Agreement. The City  
19 Treasurer, or in the absence of the City Treasurer, the Finance Director, shall be  
20 designated as the Paying Agent and Note Registrar for the 2020 Note in  
21 accordance with the Master Subordinate Ordinance.

22  
23  
24 C. The City Council hereby delegates to the Director of Utilities, the  
25 Tacoma Power Superintendent, and the Tacoma Power Rates, Planning, and  
26 Analysis Manager, or their designee (each, a "Borrower Representative") authority  
to make written Requests for Advances, to submit Compliance Certificates, to



1 convert the form of the credit facility represented by the 2020 Note, to provide any  
2 notice of reduction or termination of the 2020 Note, and to otherwise take all action  
3 necessary after delivery of the First Amendment to implement and administer the  
4 2020 Note and the Note Purchase Agreement pursuant to the terms thereof. Each  
5 Request for Advance and Compliance Certificate shall be signed by a Borrower  
6 Representative and countersigned by the City Treasurer, the Finance Director, or  
7 the Assistant Finance Director/Controller of the City.  
8

9 Section 3.2. Form of 2020 Note; Purchaser. The definitive replacement  
10 2020 Note shall be in substantially the form set forth in Exhibit "A" attached to the  
11 First Supplemental Ordinance and made a part hereof, with appropriate variations,  
12 omissions, and insertions as shall be required or appropriate consistent with the  
13 Master Subordinate Ordinance, the First Supplemental Ordinance, and this  
14 Supplemental Ordinance to reflect the terms as provided herein.  
15

16 A replacement 2020 Note certificate reflecting the terms of the First  
17 Amendment shall be delivered to the Purchaser pursuant to and in accordance  
18 with the Note Purchase Agreement.  
19

#### 20 ARTICLE IV

#### 21 MISCELLANEOUS

22 Section 4.1. Ratification of Prior Acts. Any action taken consistent with the  
23 authority and prior to the effective date of this Supplemental Ordinance is ratified,  
24 approved, and confirmed.  
25

26 Section 4.2. General Authorization. Upon the passage and approval of this  
Supplemental Ordinance, the proper officials of the City including the Designated



1 Representatives, the Borrower Representatives, the Mayor, the City Treasurer, the  
2 Finance Director, the Assistant Finance Director/Controller and the City Clerk are  
3 authorized and directed to undertake all action necessary for the prompt execution  
4 and delivery of the replacement 2020 Note to the Purchaser and further to execute  
5 all closing certificates, agreements, and other documents required to effect the  
6 delivery of the amended 2020 Note in accordance with the terms of this  
7 Supplemental Ordinance.

9           Notwithstanding anything herein or in the Master Subordinate Ordinance to  
10 the contrary, the signature of one authorized official, including but not limited to the  
11 Designated Representatives and the Borrower Representatives, shall be sufficient  
12 to bind the City.

14           Section 4.3. Terms of 2020 Note Subject to the Master Subordinate  
15 Ordinance and the First Supplemental Ordinance; Ratification. Except as  
16 expressly provided herein, every term and condition contained in the Master  
17 Subordinate Ordinance and the First Supplemental Ordinance shall apply to this  
18 Supplemental Ordinance and the 2020 Note with the same force and effect as if  
19 the same were herein set forth at length, with such omissions, variations and  
20 modification as may be appropriate to make the same conform to this  
21 Supplemental Ordinance.

24           In the event of any inconsistency between the terms and provisions  
25 provided for in this Supplemental Ordinance and the Master Subordinate  
26 Ordinance and/or the First Supplemental Ordinance, the terms and provisions of  
this Supplemental Ordinance shall control.



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Except as supplemented and amended by this Supplemental Ordinance, the Master Subordinate Ordinance and the First Supplemental Ordinance are hereby ratified, approved and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented.

Section 4.4. Provisions of Note Purchase Agreement. The terms and provisions of the 2020 Note as set forth in the Note Purchase Agreement shall control over any inconsistent provision of this Supplemental Ordinance.



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Section 4.5. Effective Date of Ordinance. This Supplemental Ordinance shall take effect and be in force 10 days after its passage, approval and publication as required by law.

Passed \_\_\_\_\_

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

Approved as to form and legality:

Pacifica Law Group LLP  
Bond Counsel

By \_\_\_\_\_



## CLERK'S CERTIFICATE

1 I, the undersigned, City Clerk of the City of Tacoma, Washington, DO

2  
3 HEREBY CERTIFY:

4 1. That the attached is a true and correct copy of Supplemental Ordinance  
5 No. \_\_\_\_ (the "Ordinance") of the City, duly passed at a regular meeting of the City  
6 Council (the "Council") of the City held on \_\_\_\_\_, 2021.

7 2. That said meeting was duly convened and held in all respects in  
8 accordance with law, and to the extent required by law, including but not limited to  
9 Washington State Governor Inslee's emergency proclamation No. 20-28 issued on  
10 March 24, 2020, as amended and supplemented, suspending portions of the Open  
11 Public Meetings Act (chapter 42.30 RCW), due and proper notice of such meeting  
12 was given; that a legal quorum was present throughout the meeting and a legally  
13 sufficient number of members of the Council voted in the proper manner for the  
14 passage of said Ordinance; that all other requirements and proceedings incident to  
15 the proper passage of said Ordinance have been fully fulfilled, carried out and  
16 otherwise observed; and that I am authorized to execute this certificate.

17  
18  
19 IN WITNESS WHEREOF, I have hereunto set my hand and affixed the  
20 official seal of the City as of this \_\_\_\_ day of \_\_\_\_\_, 2021.

21  
22  
23 \_\_\_\_\_  
24 City Clerk  
25 City of Tacoma, Washington  
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