

2014 Plan of Finance Update

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Key Elements

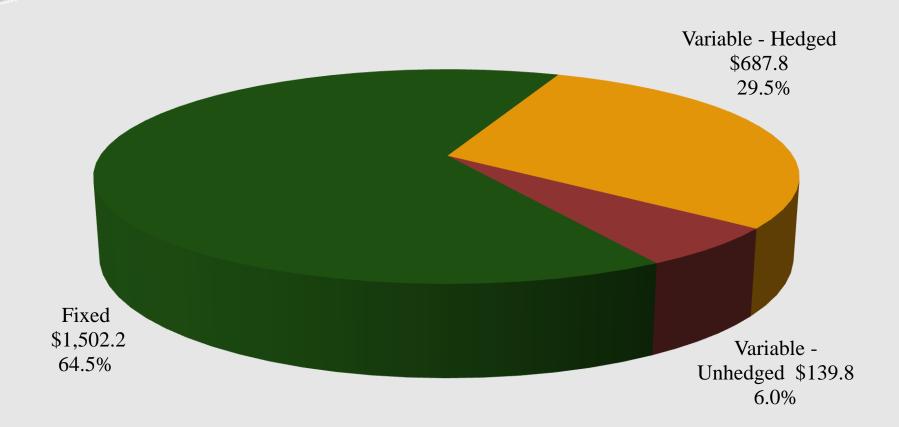


- Renewal/Replacement of four Standby Bond Purchase Agreements supporting \$300.8 million of variable rate bonds outstanding
- Issue "New" Money Fixed Rate Bonds currently estimated at \$165 million* to fund general system and Southern Delivery System
- Replacement of remarketing agent on 2007A bond issue due to newly imposed regulatory requirements
- Evaluate Variable Rate Debt Portfolio Restructuring Opportunities considered to mitigate interest rate risk and strengthen cash position at the lowest cost available

^{*} Bond size subject to change with capital forecasts and financial market conditions

Total Debt \$2.3 Billion





\$827.6 million Variable Rate Debt + \$1,502.2 million Fixed Rate Debt = \$2,329.8 million total Debt

Approval Timeline



- July 8
 - 1st Reading of an Ordinance replacing the SBPA's for the 2004A and 2008A issues was approved
- July 22
 - 2nd Reading of an Ordinance replacing the SBPA's for the 2004A and 2008A issues
- August 12 and August 26 1st and 2nd Readings
 - Ordinance for the 2014A new money issue
 - Ordinance for renewal of the SBPA for the 2009C issue with new contract terms
 - Ordinance replacing the remarketing agent on the 2007A issue

New Money Bond Issues



- New money issued when necessary to fund capital improvements
 - Timing of bond issues dictated by when funds are required "just-in-time"
 - Historically new money has been issued once a year

- Cash vs. Debt funding of projects balanced with financial metrics
 - Debt funding forecasted between 40% 50% over the next several years

• Fixed vs. Variable rate bonds determined by debt portfolio mix and market conditions

2014 New Money Bond Issue



- Fixed rate bonds not to exceed \$165M
 - Exact amount will be determined by the latest forecast before issuance

- Will fund capital projects from October 2014 September 2015
 - Largest projects funded
 - » Southern Delivery System
 - » Emissions Controls on Drake and Nixon Power Plants

2014 New Money Bond Issue



- June 6 RFP released for underwriting of 2014A
- July 10 Initial selection of underwriters
- July 2 24 Preparation and review of bond documents and preliminary official statement
- July 30 Bond documents due to City Clerk
- August 12 First reading of ordinance for series 2014A
- August 26 Second reading of ordinance for series 2014A
- August 28 Receive long term bond ratings
- September 2 9 Market bonds to investor community
- September 10 Pricing of bonds
- September 15 Post final official statement
- September 25 Close on 2014A bonds

2009A SBPA Renewal



• Current SBPA expires on 9/19/14

- Renewal of SBPA with Royal Bank of Canada
 - Pricing reduced in new agreement from 65 basis points to 35 basis points annually.
 - 2015 savings of approximately \$227,000

• Changes in contract terms consistent with Utilities' preferred contract language

2007A Remarketing Agent



- Municipal Securities Rulemaking Board G-23 rule related to activities of financial advisors requires that the current remarketing agent be replaced
- Requests for proposal June
- 4 respondents: lowest cost proposal accepted
- Utilities will request approval of an ordinance in 2 readings to City Council in August