



FY2023

***FINANCING PLAN RELATED
APPROVALS***

PRESENTED BY:

Cory Kuchinsky, CPA

Chief Financial Officer & Treasurer

August 18, 2022

Council Approval Requested

AGENDA



- **FINANCING PLAN RELATED APPROVALS**
 - **SURETY POLICY**
 - **PRIVATE LETTER RULING/INTENT TO ISSUE**

- **REQUEST FOR APPROVAL**

Our objective today is to request approval to amend/execute agreements that will allow us to generate savings for our customers on future debt transactions.

FINANCING PLAN RELATED APPROVALS



TODAY'S APPROVAL REQUEST

We are seeking approval for the following:

1. Surety Policy – Term Extension, Coverage Increase, & other matters related thereto
2. Private Letter Ruling/Intent to issue – Internal Revenue Service (IRS) determination item that, if favorable, will allow us to issue future Winter Storm Uri-related debt as tax-exempt

SURETY POLICY



OVERVIEW

- Required to fund a reserve related to the issuance of Senior Lien bonds (typically represents the lowest cost of debt)
- Senior Lien bond ordinances permit the reserve fund requirements to be met with a qualified surety policy
- Maintenance of a reserve fund generally results in a higher bond rating
- Currently provides coverage of up to **\$300M** (*Senior Lien bond debt service may not exceed this amount*)
- Policy expires **December 31, 2049** (*Senior Lien bonds issued may not mature beyond this date*)

Our request is to extend policy terms & increase coverage to continue utilizing the Senior Lien lower cost of debt.

PRIVATE LETTER RULING



OVERVIEW

- Statement issued by IRS that interprets & applies tax laws to the entity's represented set of facts, which the issuer is permitted to rely upon in the issuance of debt
 - We are seeking ruling to issue a portion of any future Winter Storm Uri financings as Tax-Exempt
 - Financings qualified as Tax-Exempt normally limited to Capital expenses; fuel expenses or "working capital" are generally issued as Taxable
 - IRS requests "Intent to Issue" Authorization for final ruling; affirmation that we intend to utilize long term financing for any outstanding Winter Storm Uri obligations
 - We will return to Board & Council for approval of any future Winter Storm Uri transactions

**A Private Letter Ruling request was submitted to the IRS in
May 2022 & is currently in review.**

With this, lower financing costs are possible.

COUNCIL APPROVAL - Authorize, without the obligation, to execute the following transactions by delegating authority to the Interim CEO or other designated Officials:

Proposed Actions: Executable before 7/25/2023 ⁽²⁾	Reason
<u>Vote #1: Surety Policy – Term Extension, Coverage Increase & other matters related thereto</u>⁽¹⁾	Access to lower cost Senior Lien debt
<u>Vote #2: Private Letter Ruling – Intent to Issue Authorization</u>⁽²⁾	Access to lower cost tax-exempt debt for Winter Storm Uri-related financing

(1) Current Surety Policy maturity of December 31, 2049 constrains the amortization of new Senior Lien bond issuances to this maturity date.

(2) There is no specific/required deadline to execute any transactions utilizing the Private Letter Ruling once IRS provides favorable ruling.



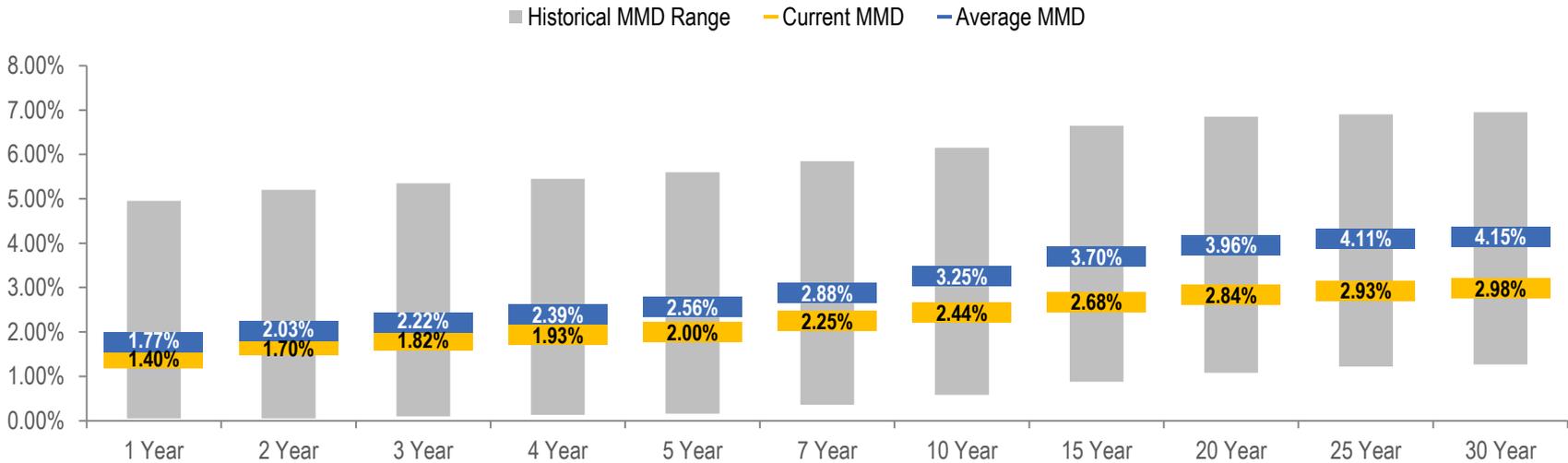
Thank You



Appendix

TAX-EXEMPT RATES – 30 YEAR HISTORY

July 15, 1992 to July 15, 2022

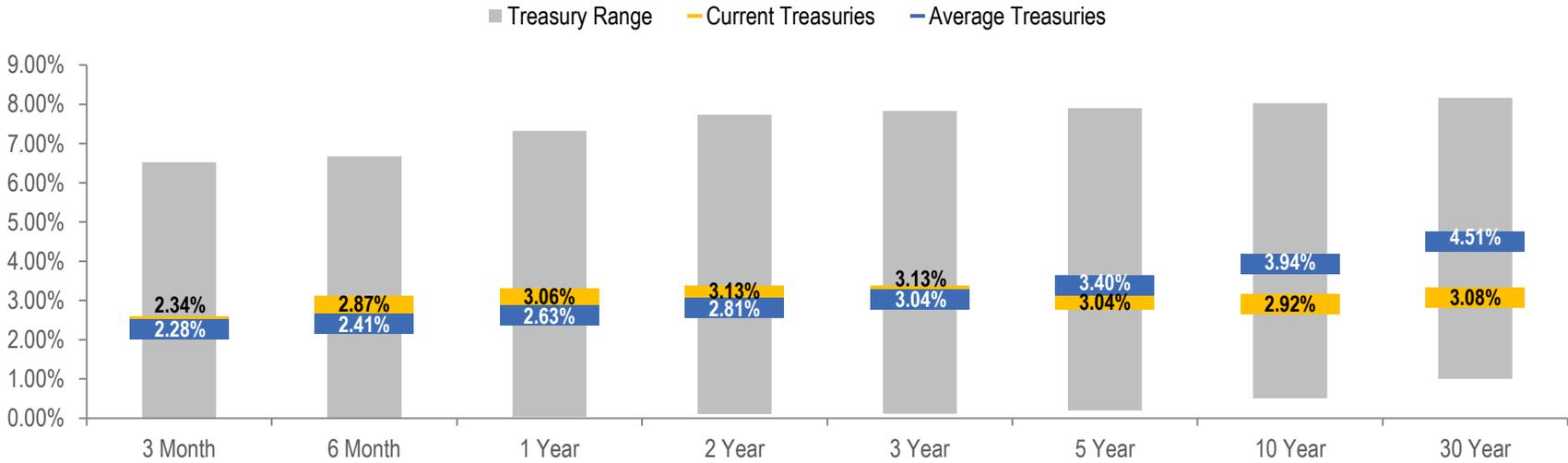


Statistic	1 Year	2 Year	3 Year	4 Year	5 Year	7 Year	10 Year	15 Year	20 Year	25 Year	30 Year
7/15/2022	1.40%	1.70%	1.82%	1.93%	2.00%	2.25%	2.44%	2.68%	2.84%	2.93%	2.98%
Average	1.77%	2.03%	2.22%	2.39%	2.56%	2.88%	3.25%	3.70%	3.96%	4.11%	4.15%
Spread to Avg.	-0.37%	-0.33%	-0.40%	-0.46%	-0.56%	-0.63%	-0.81%	-1.02%	-1.12%	-1.18%	-1.17%
Minimum	0.05%	0.05%	0.10%	0.13%	0.16%	0.36%	0.58%	0.88%	1.08%	1.22%	1.27%
Spread to Min.	1.35%	1.65%	1.72%	1.80%	1.84%	1.89%	1.86%	1.80%	1.76%	1.71%	1.71%
Maximum	4.95%	5.20%	5.35%	5.45%	5.60%	5.85%	6.15%	6.65%	6.85%	6.90%	6.95%
Spread to Max.	-3.55%	-3.50%	-3.53%	-3.52%	-3.60%	-3.60%	-3.71%	-3.97%	-4.01%	-3.97%	-3.97%
Percent of Market Days Lower	47.86%	49.94%	48.53%	45.70%	43.80%	40.44%	33.74%	28.51%	25.46%	22.59%	22.28%

Source: PFM & Thompson Reuters

TREASURY RATES – 30 YEAR HISTORY

July 15, 1992 to July 15, 2022



Statistic	3 Month	6 Month	1 Year	2 Year	3 Year	5 Year	10 Year	30 Year
7/15/2022	2.34%	2.87%	3.06%	3.13%	3.13%	3.04%	2.92%	3.08%
Average	2.28%	2.41%	2.63%	2.81%	3.04%	3.40%	3.94%	4.51%
Spread to Avg.	0.06%	0.45%	0.44%	0.31%	0.09%	-0.36%	-1.02%	-1.43%
Minimum	-0.09%	0.00%	0.04%	0.10%	0.11%	0.19%	0.51%	1.00%
Spread to Min.	2.43%	2.86%	3.03%	3.02%	3.02%	2.85%	2.41%	2.08%
Maximum	6.44%	6.68%	7.32%	7.73%	7.83%	7.90%	8.03%	8.16%
Spread to Max.	-4.09%	-3.81%	-4.26%	-4.61%	-4.70%	-4.86%	-5.11%	-5.08%
Percent of Market Days Lower	57.39%	59.78%	47.15%	58.53%	56.34%	49.94%	36.67%	26.63%