



COST SAVINGS: FY20 FINANCING PLAN UPDATE

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Informational Update

OBJECTIVE & TAKEAWAY



- **UPDATE THE BOARD OF TRUSTEES ON CONTINUED FINANCING ACTIVITIES THAT GENERATE SAVINGS FOR OUR COMMUNITY**

EXECUTIVE SUMMARY



(\$ in millions)		Additional Savings / Earnings			
Fiscal Year	March BoT Savings	Commercial Paper (CP) Refresh	Subsidy Increase (BABs)	Interest Earnings	Total
FY20	\$5.4	\$0.2	\$2.5	\$2.9	\$11.0
FY21	1.1	0.1	0.1	-	1.3
Outer Yrs.	23.0	0.2	0.5		23.7
Total	\$29.5	\$0.5	\$3.1	\$2.9	\$36.0

\$5.6M

- FY20 \$5.6M incremental increase since the March BOT meeting
 - ✓ \$0.2M Commercial Paper (CP) savings from lower fees
 - ✓ \$2.5M benefit from subsidy certainty on Build America Bonds (BABs)
 - ✓ \$2.9M benefit from positive interest income (Fed action)

We are projecting a total benefit of \$11M this fiscal year, with additional savings over the long-term!



Thank You



Appendix

FINANCING COST SAVINGS

CP REFRESH



- February 2019 - Request for Proposal issued to refresh CP Program
- June 2019 - New CP Program implemented
- Evaluation criteria:
 - ✓ Lowest cost
 - ✓ Ease of implementation
 - ✓ Cost efficiencies



FINANCING COST SAVINGS

CP REFRESH



- Competitive bids & negotiations led to:

- ✓ Initial estimated savings of ~\$700k/yr.
- ✓ Current projected savings of ~\$840k/yr.
- ✓ Efficiency savings of ~\$75k (one-time)
- ✓ Increased CP Program size to \$700M⁽¹⁾

Add'l Savings (\$ in millions)	
FY20 ⁽²⁾	\$0.2
FY21	0.1
FY22	0.1
FY23 ⁽²⁾	0.1
Total	\$0.5

We expect to save an additional \$140k annually from our March Board meeting projections!

(1) We terminated the \$100M Flex Rate Revolving Note Program effective 6/21/19.

(2) Prorated savings in the first & last year, plus one-time savings.

ADDT'L. COST SAVINGS BUILD AMERICA BONDS (BABs)



Cost Savings (\$ in millions)

FY20	\$2.5
FY21	0.1
FY22-28	0.5
Total	\$3.1

- Bonds originally issued in FY10
 - ✓ Interest subsidy of 35%
- Subject to sequestration since FY14
 - ✓ FY20: To be lowered from 6.2% to 5.9%⁽¹⁾

With more subsidy certainty this year, we have a benefit of \$2.5M! Additionally, less sequestration = more interest expense savings.

(1) Office of Mgmt. & Budget Report to Congress / President Letter, March 2019 (effective October 1, 2019)

ADDT'L. REVENUE

INTEREST EARNINGS



- The Fed raised interest rates last Dec. to a 2.25% - 2.50% range
- Positive from an interest income perspective



Federal Reserve Chairman
Jerome Powell

There is a lag effect on our investment portfolio and prudent cash & liquidity mgmt. allows us to take advantage of higher interest rates

Add'l. Revenue⁽¹⁾
(\$ in millions)

FY20

\$2.9

(1) YTD June LE – represents favorability vs. FY20 Budget

FINANCING PLAN SAVINGS



Our FY20 Financing Plan provides additional savings for our customers!

		Transaction Description	Impact on Net Income	Additional Savings ⁽¹⁾ (\$ in millions)			Outer Yrs.	Execution	Estimated Amount
				FY20 ⁽³⁾	FY21	Outer Yrs.			
Ordinance 1	1)	Refund Commercial Paper (CP) Notes	+	\$5.0	-	-		Fall 2019	Up to \$345M
	2)	Jr. Lien 2010B BABs Refunding	+	-	\$0.3	\$12.0	2035-2037		\$200M
	3)	Sr. Lien 2010A BABs Refunding	+	-	0.1	4.0	2022-2041		\$100M
	4)	Sr. Lien 2012 Taxable Refunding (Rio Nogales)	+	-	-	4.0	2022-2030		\$120M
Ordinance 2	5)	Execute New Liquidity Facilities & Dealer Agreements (Current Commercial Paper (CP) Program \$600M + \$100M Flexible Revolving Rate Note = 700M) ⁽²⁾	+	0.4	0.7	3.0	2022-2025	Implementation May 2019	Up to \$700M
TOTAL				\$5.4	\$1.1	\$23.0			

(1) Assumes potential savings compared against the approved Budget.

(2) Assumes annual run rate savings of 10bps on entire credit facility: \$700k/yr. for 5 years.

(3) FY20 savings are effective for half the year & are subject to interest rate and market conditions.

GLOSSARY



Business Term	Acronym (if applicable)	Definition
Basis Point	bps	Basis point (BPS) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument. The relationship between percentage changes and basis points can be summarized as follows: 1% change = 100 basis points, and 0.01% = 1 basis point.
Build America Bonds	BABs	Build America Bonds are taxable municipal bonds that carry special tax credits and federal subsidies for either the bond issuer or the bondholder.
Commercial Paper	CP	An unsecured, short-term debt instrument issued by a corporation, with high quality credit ratings, to meet its funding needs. Maturities typically do not exceed 270 days.
Fed Funds	FF	The federal funds rate is the interest rate at which depository institutions (banks and credit unions) lend reserve balances to other depository institutions overnight, on an uncollateralized basis.