



# TID Commercial Paper Program

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## Commercial Paper

- ◆ Commercial Paper (“CP”) is a short-term financial instrument that allows an issuer to fund short-term obligations relatively quickly once the program is established.
  - CP Draws are typically refinanced with long-term debt
- ◆ Bank LOC backs the CP program – TID’s bank LOC is up for reauthorization or termination in July 2020
- ◆ Short-term, fixed-rate promissory notes with maturities from 1 to 270 days
  - Maturities are set to coincide with issuer and investor preferences
- ◆ Interest rates for each promissory note are determined at each sale date
- ◆ Used to temporarily finance capital projects during construction
- ◆ Approximate Fees on a \$55,000,000 Letter of Credit (“LOC”): \$442,000 - \$467,000
  - Annual Fee based on the size of the LOC (informal bid at 75 basis points for 364 days, has increased due to COVID-19 market disruption) - \$412,000
  - Annual Remarketing Fee - \$0 - \$25,000
  - Annual Rating Agency Fees - \$30,000 (S&P - \$15,000, Fitch - \$15,000)
- ◆ Interest rate is based on current market interest rate at time of CP roll (270 days or less)
  - In addition to the LOC fees



## Overview of TID & WECA's Commercial Paper Program & Utilization

### WECA CP Overview – LOC Matures in September 2022 (\$65,000,000 LOC)

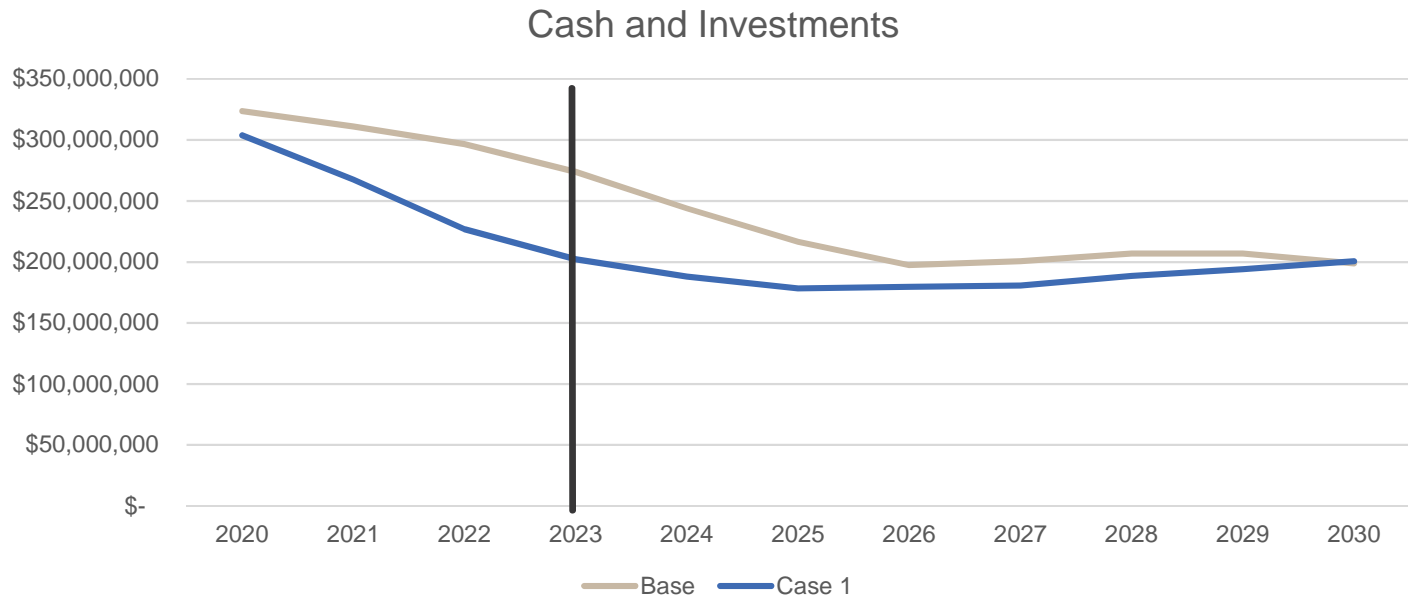
Type	Issue Date	Maturity Date	Proceeds	Interest	Rate
Taxable	4/13/20	6/12/20	\$12,489,970	\$25,030	1.80%
Tax-Exempt	3/5/20	7/6/20	\$21,431,000	\$57,617.77	0.80%

### NO TID CP Outstanding – LOC Matures in July 2020 (\$109,000,000 LOC)



## Cash and Investment Projections

- Modeled two different projections (no difference in capital dollars between scenarios)
  - Base Case
  - Case 1 – Stress test of 5% load reduction in 2020, additional 2% load reduction in 2021 and 2022, Flat in 2023, 2% load increase in outgoing years (similar to Great Recession)



*All projections are based on management assumptions as of April 2020. These assumptions are subject to change in the future. Should the assumptions change, these projections could change at any time. Figures provided are for illustrative purposes only and not be relied upon for the purpose of investment decisions. These projections have not been prepared to comply with any obligation of the District under federal securities laws and should not be relied upon by any investor or potential investor in securities issued by the District.*



## Conclusion and Recommendation

- ◆ **Conclusion:** While the CP program has historically benefited TID as a frequently utilized, low-cost financing tool to fund prior significant capex efforts, our current near-term expectation is that the CP program will now be a higher-cost, infrequently used financing tool, lessening its value to TID
  - There has been an increase in the cost of the CP program
  - Debt financing (commercial paper or bonds) typically finances capital expenditures
    - TID is not anticipating the need to borrow in the next 12 months
    - TID has sufficient cash for near-term capital and operating needs
  - TID can always seek another commercial paper program or issue bonds if the need arises
  - Currently there is a \$0 Balance on the TID Commercial Paper Plan
- ◆ **Recommendation:** PFM and TID staff recommend letting the existing TID commercial paper program expire in July 2020
  - WECA commercial paper plan will remain and be evaluated when it expires in September 2022