

Exhibit to Agenda Item #1

Board Finance & Audit Committee Meeting and Special SMUD Board of Directors Meeting

Tuesday, February 19, scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

Requested Action

- Authorize the Chief Executive officer and General manager or designee to negotiate and execute a three-year contract with Bank of America, N.A. for a new Letter of Credit that supports a new \$111,250,000 Commercial Paper Series M, with terms substantially similar to the attached term sheet.

CP Program

- Current CP program of \$288 million supported by two credit facilities:
 - \$188M State Street facility cost 0.42%/yr.
 - \$100M Barclays facility cost 0.38%/yr.
- All \$288 million outstanding – staff considering refunding a portion in 2019
- Proposed expansion will increase to \$400 million
 - \$111M BofA facility for 3 years cost 0.29%/yr.

Competitive Fees and Terms

- In October, Treasury issued an RFP for credit capacity to enable the CP expansion
- 6 responses – Bank of America (BofA) awarded based on lowest cost and terms
 - 0.29% offer very competitive for AA credits
 - BofA's documents are substantially similar to existing Series K and L docs saving time and additional legal costs.

Commercial Paper (CP) Program Expansion Benefits

Benefits:

- Added *flexibility* to fund capital spending as it arises
 - Supports expanded CIP and IRP program
 - Access to capital in a shorter lead time
 - Lower variable rate cost vs. long-term fixed rates
- Additional liquidity viewed favorably by the ratings agencies
 - Liquidity provides a form of self-insurance that is less costly than increasing coverage

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