

# Exhibit to Agenda Item #3

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

Tuesday, June 18, 2019 scheduled to begin at 5:30 p.m.

Customer Service Center, Rubicon Room

# Requested Action

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- Approve the issuance of the SMUD 2019 Series G Revenue Bonds and SMUD 2019 Series A & B Subordinate Revenue Bonds, authorize the distribution of the Preliminary Official Statement, and authorize the CEO and General Manager, or his designee, to execute documents necessary to complete the transaction, including the Bond Purchase Agreements

# Evaluation Criteria for Underwriting Services

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- RFP for Senior Underwriting Pool included questions for staff to review and determine compliance with procurement policies:
  - Corporate & Financial Qualifications of the Firm: 30%
    - **Firms green strategy in support of clean energy/renewables development**
    - **Corporate responsibility goals and community involvement**
    - CA and Public Power senior/co-senior manager transaction rankings
    - Commodity financing focus including prepays and project finance
    - **Willingness and ability to underwrite \$50M+ and provide SMUD with credit capacity**
    - **Credit rating/financial strength**
    - CA and Sacramento staff presence
- Staff determined firms comply with BL-7 and BL-8 and will continue to monitor going forward.

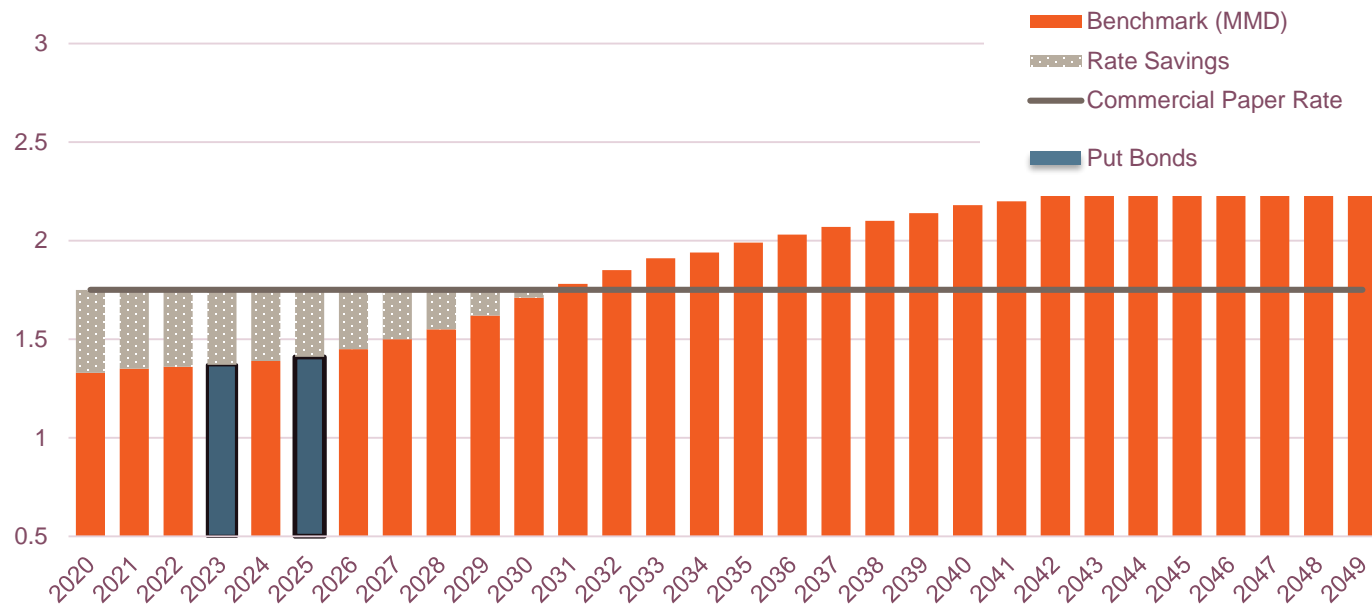
# Plan of Finance

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- Proceeds of the 2019 bonds will be used to refund \$400mm of outstanding commercial paper and finance \$75mm 2019 capital expenditures
  - **2019 Series G Bonds (Senior Lien) led by Bank of America Merrill Lynch**
    - Series G: \$200 million fixed rate bonds
      - **Green Bond** maturities anticipated to be sold to reimburse for \$75 million of expenditures tied to SMUD’s HQ renovation
  - **2019 Subordinated Series A & B Bonds led by Barclays Capital**
    - Series A: \$100 million of 4-year fixed rate Put bonds
    - Series B: \$100 million of 6-year fixed rate Put bonds
      - Callable 6-months prior to “Put” date to reduce remarketing risk

# Advantages for Using Put Bonds

- Allow SMUD to access short-term rates AND have fixed debt service for the initial periods at lower costs than 30-year fixed bonds
  - Lowers the yield SMUD will pay investors by approximately 0.95%
  - SMUD will remarket the bonds on the “Put” date and will choose the most advantageous mode



# SB 450: Public Disclosure Requirement Related to Bond Issuance

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Government Code Section 5852.1 requires: a Good Faith Estimate of Costs provided by an Underwriter or Financial Advisor

## Current Estimated Cost Summary:

– True Interest Cost (TIC)	2.893% (1.950%)*
– Cost of Issuance	\$1,290,000
– Bond Proceeds	\$476,503,410**
– Total Payment Amount	\$752,579,633

\*Note: Estimated TIC includes conservative forecasting assumptions for the Put bonds after initial interest period. Actual Yield SMUD pays is estimated at 1.950%.

\*\*Note: “Bond Proceeds” includes \$80.6 million of premium

# Green Bonds – Setting the Stage for SMUD’s Future Capital Needs

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- **Green/ESG** certified investments sought by certain investors
  - Growing but young market with developing compliance
    - SMUD can show leadership and enhance market growth
    - SMUD taking this initial step, entering market to gauge results and administrative efforts necessary
- HQ designed to achieve LEED Gold Certification
  - SMUD is seeking **Green** certification from Kestrel
  - Kestrel may submit to the Climate Bond Initiative for more coveted “**Green-Climate**” designation

# Summary of Transaction Benefits

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- Should not increase debt outstanding
- Refunds variable rate debt with fixed rate debt
  - reduces interest rate risk.
- Full \$400 million CP capacity available for future capital spending and liquidity.
  - Increases financing flexibility
- **Issue SMUD's 1<sup>st</sup> ever "GREEN BONDS"**
  - **Prepare future investor base for additional capital spending to meet decarbonization targets**



# Financing Schedule

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Week of June 3	Rating Agency Calls
June 24	Board Approval
June 26	Ratings Received
July 16	Pricing
July 25	Closing