

FOR BOARD ACTION

Agenda Item # 5

Meeting Date:

2/26/13

SUBJECT:

Authorizing the Sale of Electric Bonds to Finance the CAPX 2020 Project

PREPARED BY:

Susan Parker, Director of Corporate Services

ITEM DESCRIPTION:

In December 2012, the Board approved the CAPX 2020 Project Agreements. With the signing of the agreements, RPU has begun making payments into the construction trust accounts to be used for the construction costs.

At our last Board meeting management proposed a blended approach to the financing due to a couple of items that were being settled such as the ATC filing with FERC. The ATC filing was recently resolved in favor of the CapX Group. Based on the proposed long-term rates, management believes that securing long-term financing for about \$40 million of construction funds is in the best interest of our customers. The total bond issue including debt service reserve is approximately \$44 million. The True Interest cost rates for a 30 year AA rated issuer are estimated at about 3.2%. The preliminary analysis for the Series 2013B bonds is attached for your review.

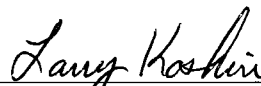
The preliminary schedule for the upcoming sale is attached for your information. At this time the sale is expected to occur on April 1, 2013 with settlement on April 25, 2013. This is within the timeline needed in order to meet our investment needs.

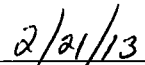
FOR CAPITAL PURCHASES/BIDS/MAJOR PROJECTS:

Not Applicable

UTILITY BOARD ACTION REQUESTED:

Management recommends that the Utility Board approve and request the Common Council approve a resolution authorizing the negotiated sale of bonds to be used to finance the CAPX 2020 construction costs.


General Manager


Date

ROCHESTER PUBLIC UTILITIES

\$44,290,000

City of Rochester, Minnesota
Electric Utility Revenue Bonds, Series 2013B

Sources & Uses

Dated 04/25/2013 | Delivered 04/25/2013

Sources Of Funds

Par Amount of Bonds.....	\$44,290,000.00
Reoffering Premium.....	1,007,728.00

Total Sources..... \$45,297,728.00

Uses Of Funds

Deposit to Project Construction Fund.....	40,000,000.00
Deposit to Debt Service Reserve Fund (DSRF).....	4,429,000.00
Total Underwriter's Discount (1.500%).....	664,350.00
Costs of Issuance.....	200,000.00
Rounding Amount.....	4,378.00

Total Uses..... \$45,297,728.00

\$44,290,000

City of Rochester, Minnesota
Electric Utility Revenue Bonds, Series 2013B

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
12/01/2013	1,460,000.00	3.000%	848,160.00	2,308,160.00
12/01/2014	940,000.00	3.000%	1,369,800.00	2,309,800.00
12/01/2015	970,000.00	3.000%	1,341,600.00	2,311,600.00
12/01/2016	995,000.00	3.000%	1,312,500.00	2,307,500.00
12/01/2017	1,025,000.00	3.000%	1,282,650.00	2,307,650.00
12/01/2018	1,055,000.00	3.000%	1,251,900.00	2,306,900.00
12/01/2019	1,090,000.00	3.000%	1,220,250.00	2,310,250.00
12/01/2020	1,120,000.00	3.000%	1,187,550.00	2,307,550.00
12/01/2021	1,155,000.00	3.000%	1,153,950.00	2,308,950.00
12/01/2022	1,190,000.00	3.000%	1,119,300.00	2,309,300.00
12/01/2023	1,225,000.00	3.000%	1,083,600.00	2,308,600.00
12/01/2024	1,265,000.00	3.000%	1,046,850.00	2,311,850.00
12/01/2025	1,300,000.00	3.000%	1,008,900.00	2,308,900.00
12/01/2026	1,340,000.00	3.000%	969,900.00	2,309,900.00
12/01/2027	1,380,000.00	3.000%	929,700.00	2,309,700.00
12/01/2028	1,420,000.00	3.000%	888,300.00	2,308,300.00
12/01/2029	1,465,000.00	3.000%	845,700.00	2,310,700.00
12/01/2030	1,510,000.00	3.050%	801,750.00	2,311,750.00
12/01/2031	1,555,000.00	3.100%	755,695.00	2,310,695.00
12/01/2032	1,600,000.00	3.150%	707,490.00	2,307,490.00
12/01/2033	1,650,000.00	3.200%	657,090.00	2,307,090.00
12/01/2034	1,705,000.00	3.250%	604,290.00	2,309,290.00
12/01/2035	1,760,000.00	3.250%	548,877.50	2,308,877.50
12/01/2036	1,820,000.00	3.350%	491,677.50	2,311,677.50
12/01/2037	1,880,000.00	3.400%	430,707.50	2,310,707.50
12/01/2038	1,940,000.00	3.450%	366,787.50	2,306,787.50
12/01/2039	2,010,000.00	3.500%	299,857.50	2,309,857.50
12/01/2040	2,080,000.00	3.550%	229,507.50	2,309,507.50
12/01/2041	2,155,000.00	3.550%	155,667.50	2,310,667.50
12/01/2042	2,230,000.00	3.550%	79,165.00	2,309,165.00
Total	\$44,290,000.00	-	\$24,989,172.50	\$69,279,172.50

Yield Statistics

Bond Year Dollars.....	\$759,884.00
Average Life.....	17.157 Years
Average Coupon.....	3.2885509%
Net Interest Cost (NIC).....	3.2433627%
True Interest Cost (TIC).....	3.2062391%
Bond Yield for Arbitrage Purposes.....	3.0879888%
All Inclusive Cost (AIC).....	3.2423524%
IRS Form 8038	
Net Interest Cost.....	3.1251438%
Weighted Average Maturity.....	16.941 Years

City of Rochester, Minnesota
\$44,290,000 Electric Utility Revenue Bonds, Series 2013B
 Proforma Debt Service and Debt Service Coverage

Maturity Year	2013B Bonds		Outstanding Debt Service on 2005A Notes	Outstanding Debt Service on 2007C Bonds	Outstanding Debt Service on 2009 Notes	Outstanding Debt Service on 2013A Bonds	Total Outstanding Debt	Total Parity Debt Service	Coverage To Net Revenues	
	Principal	Principal & Interest								
2013	1,460,000.00	2,308,160.00	979,250.00	4,595,475.00	1,687,750.02	845,500.00	8,107,975.02	10,416,135.02	2.54	
2014	940,000.00	2,309,800.00	976,800.00	4,596,075.00	1,586,275.00	843,500.00	8,002,650.00	10,312,450.00	2.56	
2015	970,000.00	2,311,600.00		5,564,675.00		837,900.00	6,402,575.00	8,714,175.00	3.03	
2016	995,000.00	2,307,500.00		5,559,425.00		822,100.00	6,381,525.00	8,689,025.00	3.04	
2017	1,025,000.00	2,307,650.00		5,558,675.00		831,300.00	6,389,975.00	8,697,625.00	3.04	
2018	1,055,000.00	2,306,900.00		6,606,925.00			6,606,925.00	8,913,825.00	2.97	
2019	1,090,000.00	2,310,250.00		6,606,425.00			6,606,425.00	8,916,675.00	2.97	
2020	1,120,000.00	2,307,550.00		6,605,887.50			6,605,887.50	8,913,437.50	2.97	
2021	1,155,000.00	2,308,950.00		6,608,487.50			6,608,487.50	8,917,437.50	2.97	
2022	1,190,000.00	2,309,300.00		6,609,487.50			6,609,487.50	8,918,787.50	2.96	
2023	1,225,000.00	2,308,600.00		6,606,712.50			6,606,712.50	8,915,312.50	2.97	
2024	1,265,000.00	2,311,850.00		6,610,162.50			6,610,162.50	8,922,012.50	2.96	
2025	1,300,000.00	2,308,900.00		6,609,162.50			6,609,162.50	8,918,062.50	2.97	
2026	1,340,000.00	2,309,900.00		6,608,487.50			6,608,487.50	8,918,387.50	2.97	
2027	1,380,000.00	2,309,700.00		6,607,687.50			6,607,687.50	8,917,387.50	2.97	
2028	1,420,000.00	2,308,300.00		6,610,000.00			6,610,000.00	8,918,300.00	2.97	
2029	1,465,000.00	2,310,700.00		6,609,500.00			6,609,500.00	8,920,200.00	2.96	
2030	1,510,000.00	2,311,750.00		6,609,750.00			6,609,750.00	8,921,500.00	2.96	
2031	1,555,000.00	2,310,695.00					-	2,310,695.00	11.44	
2032	1,600,000.00	2,307,490.00					-	2,307,490.00	11.46	
2033	1,650,000.00	2,307,090.00					-	2,307,090.00	11.46	
2034	1,705,000.00	2,309,290.00					-	2,309,290.00	11.45	
2035	1,760,000.00	2,308,877.50					-	2,308,877.50	11.45	
2036	1,820,000.00	2,311,677.50					-	2,311,677.50	11.44	
2037	1,880,000.00	2,310,707.50					-	2,310,707.50	11.44	
2038	1,940,000.00	2,306,787.50					-	2,306,787.50	11.46	
2039	2,010,000.00	2,309,857.50					-	2,309,857.50	11.45	
2040	2,080,000.00	2,309,507.50					-	2,309,507.50	11.45	
2041	2,155,000.00	2,310,667.50					-	2,310,667.50	11.44	
2042	2,230,000.00	2,309,165.00					-	2,309,165.00	11.45	
Totals	\$44,290,000.00	\$69,279,172.50	#	\$1,956,050.00	\$111,783,000.00	\$3,274,025.02	\$4,180,300.00	\$121,193,375.02	\$190,472,547.52	

Net Revenues of the Electric Utility

	2011	2010
Operating Revenue	\$142,412,918	\$142,768,456
Operating Expenses	(125,429,806)	(127,900,737)
Add: Depreciation	10,657,091	9,055,375
Interest Earnings	520,212	802,951
Net Revenues Available to Pay DS	\$28,160,415	\$24,726,045
Average Net Revenues		\$26,443,230
Average Annual Debt Service		\$9,042,263

\$44,290,000
City of Rochester, Minnesota
Electric Utility Revenue Bonds, Series 2013B

Debt Service Reserve Fund Calculation

Total Aggregate Debt Service

2013	10,416,135.02
2014	10,312,450.00
2015	8,714,175.00
2016	8,689,025.00
2017	8,697,625.00
2018	8,913,825.00
2019	8,916,675.00
2020	8,913,437.50
2021	8,917,437.50
2022	8,918,787.50
2023	8,915,312.50
2024	8,922,012.50
2025	8,918,062.50
2026	8,918,387.50
2027	8,917,387.50
2028	8,918,300.00
2029	8,920,200.00
2030	8,921,500.00
2031	2,310,695.00
2032	2,307,490.00
2033	2,307,090.00
2034	2,309,290.00
2035	2,308,877.50
2036	2,311,677.50
2037	2,310,707.50
2038	2,306,787.50
2039	2,309,857.50
2040	2,309,507.50
2041	2,310,667.50
2042	<u>2,309,165.00</u>
	\$190,472,547.52

Max Annual DS	10,416,135.02
Avg Annual DS	11,302,828.82
Sum of Reserve + 10% of par of the 2013 Bonds	8,597,064.00
New Requirement	8,597,064.00
Existing DSR	4,168,064.00
2013 Bond Requirement	\$4,429,000.00

**City of Rochester, Minnesota
Electric Utility Revenue Bonds, Series 2013B**

February 2013						
S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

March 2013						
S	M	T	W	Th	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

April 2013						
S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

May 2013						
S	M	T	W	Th	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

June 2013						
S	M	T	W	Th	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

July 2013						
S	M	T	W	Th	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Schedule of Events		
Date	Event	Responsible Party
February 8, 2013	Request for Official Statement Information sent to City Staff.	Springsted
February 20, 2013	Finalize Bond structure and prepare Terms of Proposal.	Springsted
February 26, 2013	Rochester Public Utilities Board considers authorizing the bond sale.	RPU Staff
February 26, 2013	Sale Recommendations and Bond Resolution delivered to City.	Springsted Kennedy & Graven
March 4, 2013	Information forwarded to Springsted for preparation of the Official Statement.	City Staff
March 4, 2013	City Council considers Resolution authorizing the Bond sale.	City Council
March 11, 2013	Rough draft of Official Statement sent out to City Staff and Kennedy & Graven for review.	Springsted
March 15, 2013	Final comments to Springsted on Official Statement draft (no later than noon).	City Staff Kennedy & Graven

Schedule of Events

Date	Event	Responsible Party
March 18, 2013	Posting of Official Statement and application for rating forwarded to rating agency.	Springsted
Week of March 25, 2013	Rating conference and receipt of rating.	Fitch Moody's City Staff Springsted
March 25, 2013	Form of Award Resolution delivered to the City.	Kennedy & Graven
April 1, 2013.	<p>Sale of the Bonds.</p> <p>RPU Board consents to the terms of the Bond Resolution and forwards recommendation to award the Bonds to the City Council.</p> <p>Consideration and award of the Bonds by City Council.</p>	City Utility Commission Springsted
April 8, 2013	Distribution of addendum to Official Statement.	Springsted
April 25, 2013	Settlement of the Bonds; receipt of Bond proceeds.	City Staff Kennedy & Graven Springsted



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, that the Common Council of the said City is requested to authorize the issuance of revenue bonds to fund the construction of the CAPX 2020 Transmission Project of approximately \$44,290,000. The Electric Revenue Bonds will use a negotiated sale method.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 26th day of February, 2013.

President

Secretary
