

FOR BOARD ACTION

Agenda Item # 11

Meeting Date: 1/30/07

SUBJECT:

Approval of the Financing Team for 2007 Electric Revenue Bond Issue

PREPARED BY:

Larry Koshire, General Manager

ITEM DESCRIPTION:

Recently, the RPU Board and City Council have approved the installation and construction of an emission reduction project at the Silver Lake plant. As part of this approval, the issuance of electric revenue bonds to support the power plant improvements, and significant infrastructure improvements in the electric division, as well as a potential refunding of outstanding debt, was also approved. In preparation for the potential financing, RPU has been consulting with the City of Rochester's financial advisor, Springsted Inc., on the financing portion, and the City's bond counsel, Briggs and Morgan, for legal review and opinions regarding financing issues. RPU has used Springsted and Briggs and Morgan for the bond issues in 2000 and 2002.

The consultation with Springsted and RPU staff indicated that the approach to issuing the bonds would be through selection of an underwriter. Springsted led RPU in communication with the City Finance Director, through a process of request for proposals to national and regional underwriters, and an evaluation of these proposals and a selection of a short list. Recently, RPU and Springsted interviewed those candidates on the short list, and this process led to a recommendation for underwriter for the 2007 electric revenue bonds. The recommended lead senior manager for the issuance of the City electric bonds is Lehman Brothers. Through the request for proposal and interview process, this team presented the best experience and market access to assist RPU in bringing the project and financing to the bond market, getting the best interest rate, and if necessary having the financial capital to back a bond sale of this level. In addition to Lehman Brothers, it was recommended that RBC Capital Markets serve as co-manager. Their presence will help broaden the market reach regionally when selling the bonds. A letter from Springsted discussing the process of underwriter selection and supporting recommendation will be provided at the Board meeting.

We recommend that the Board approve the bond financing team for the 2007 electric revenue bond issue that would include Briggs and Morgan as bond counsel, Springsted Inc. as financial advisor, and Lehman Brothers as senior manager to underwrite the bonds.

UTILITY BOARD ACTION REQUESTED:

A motion from the Board is requested to approve the bond financing team for the 2007 electric revenue bond issue that would include Briggs and Morgan as bond counsel, Springsted Inc. as financial advisor, and Lehman Brothers as senior manager to underwrite the bonds.



General Manager



Date