

FOR BOARD ACTION

Agenda Item # 4

Meeting Date:

12/16/04

SUBJECT: Issuance of 2004A Electric Utility Revenue Note

PREPARED BY: Curt Kraft, Director of Corporate Services

ITEM DESCRIPTION:

In April, the Board approved membership in the Midwest Consortium of Municipal Utilities (MCMU) bond pool that had been developed by the Minnesota Municipal Utilities Association (MMUA). MCMU is currently in the process of going to the bond market for their first issue at the end of December.


In September, staff received consensus from the Board to continue to move forward in considering the use of MCMU in providing the financing as part of the funding requirements of our 2005 electric budget. A net borrowing of \$5 million is anticipated.

The program is structured so that RPU borrows against the bonds that will be issued by MCMU. The note carries similar covenant requirements that our existing outstanding bonds have. One of the positives about this structure is that the note can be paid back at anytime without any penalty.

Staff is recommending that a variable rate note be issued against the MCMU bond issue with net proceeds of five million dollars for ten years to finance electric capital infrastructure improvements. Specifics of the borrowing are noted on the attached draft coverage calculation sheet. The revenue loan agreement and other documents have been reviewed and approved by the City's bond counsel, Briggs & Morgan.

UTILITY BOARD ACTION REQUESTED:

The Board is requested to approve the resolution approving and consenting to the issuance of Electric utility Revenues Note, Series 2004A, and the Execution of a Project Loan Agreement by the City of Rochester.



General Manager



Date

ROCHESTER PUBLIC UTILITIES



RESOLUTION NO. 45

Resolution Approving and Consenting to
the Issuance of an Electric Utility Revenue
Note, Series 2004A, and the Execution of a
Project Loan Agreement by the City of Rochester

BE IT RESOLVED by the Public Utility Board (the "Board") of the City of Rochester, Minnesota (the "City"), as follows:

1. Recitals.

- (a) The Board, in cooperation with the Rochester Common Council (the "Council"), has determined to make certain improvements (the "Improvements") to the City's municipal electric utility (the "Electric Utility").
- (b) In order to provide financing for the Improvements, the Council is expected to consider for approval on December 20, 2004, a resolution entitled "Resolution Relating to the City's Electric Utility Revenue Note, Series 2004A; Authorizing the Issuance Thereof in Connection with the Minnesota Municipal Utilities Association Financing Program; Providing for the Execution and Delivery of a Project Loan Agreement and Related Documents; and Authorizing Certain Future Actions" (the "Resolution"), a copy of which has been presented to the Board for its consideration.
- (c) The Resolution would, upon its adoption, authorize the issuance of an Electric Utility Note, Series 2004A (the "Note"), specify the terms, rates of interest, redemption premiums, form, and other details of the Note, pledge the Net Revenues of the Electric Utility for the payment of the Note, and set forth other covenants and obligations of the City, including without limitation certain covenants relating to the Electric Utility).
- (d) The Resolution, as the same may be finally adopted by the Council, is hereby incorporated into this Resolution to the same extent as though set forth in full herein, and each capitalized term which is used in this Resolution but not otherwise defined herein shall have the meaning given to that term in the Resolution.



2. Consent and Approval. The Board hereby consents to and approves the issuance of the Note and execution of the Project Loan Agreement by and between the City and Midwest Consortium of Municipal Utilities in substantially the form presented to the Board, and determines that the issuance of the Note and execution of the Project Loan Agreement by the City is necessary and desirable and that the issuance of the Note in the principal amount to be issued is appropriate for the purposes for which the Note is issued.

The Board hereby consents to, adopts and endorses the representations, terms and covenants of the Resolution, as incorporated in this Resolution in full. The Board hereby covenants and pledges to cooperate with the Council (and to take such actions, or refrain from acting, as the case may be, as may be necessary) in order to fully effectuate the intent, purposes and obligations of the City under the Resolution or otherwise in respect of the Note.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 16th day of December, 2004.

President

Secretary

The foregoing Resolution was introduced by Boardmember _____, who moved its adoption. The motion for the adoption of the foregoing Resolution was duly seconded by Boardmember _____ and upon a vote being taken thereon, the following Boardmembers voted in favor thereof:

and the following voted against the same:

Whereupon said Resolution was declared duly passed and adopted.



STATE OF MINNESOTA
CITY OF ROCHESTER
PUBLIC UTILITY BOARD

I, the undersigned, being the duly qualified and acting Secretary of the Public Utility Board of the City of Rochester, Minnesota, DO HEREBY CERTIFY that I have carefully compared the attached and foregoing extract of minutes with the original minutes of a meeting of the Board duly called and held on the date therein indicated, which are on file and of record in my office, and the same is a full, true and complete transcript therefrom approving the issuance and sale by the City of Rochester of its Electric Utility Revenue Note, Series 2004A and approving a Project Loan Agreement.

WITNESS my hand as such Secretary this ____ day of December, 2004.

Secretary
Rochester Public Utility Board

DRAFT

City of Rochester, Minnesota

Electric Revenue Bonds

PARITY COVERAGE CALCULATION

DATE	Existing Debt Service on 2000 Bonds	Existing Debt Service on 2002A Bonds	2004 New Debt Service *	Total Parity Debt Service	Coverage to 2003 Net Revenues
12/01/2004	2,470,812.50	1,021,406.25		3,492,218.75	4.85
12/01/2005	2,469,462.50	1,018,256.25	955,545.83	4,443,264.58	3.81
12/01/2006	2,471,687.50	1,019,656.25	982,300.00	4,473,643.75	3.78
12/01/2007	2,467,250.00	1,020,456.25	979,950.00	4,467,656.25	3.79
12/01/2008	2,471,387.50	1,024,006.25	978,200.00	4,473,593.75	3.78
12/01/2009	2,468,625.00	1,025,031.25	981,500.00	4,475,156.25	3.78
12/01/2010	2,464,200.00	1,028,406.25	978,750.00	4,471,356.25	3.79
12/01/2011	2,463,112.50	1,028,806.25	979,950.00	4,471,868.75	3.78
12/01/2012	2,465,125.00	1,033,006.25	979,000.00	4,477,131.25	3.78
12/01/2013	2,465,000.00	1,035,806.25	980,350.00	4,481,156.25	3.78
12/01/2014	2,466,742.50	1,037,206.25	987,900.00	4,491,848.75	3.77
12/01/2015	2,464,492.50	1,041,112.50		3,505,605.00	4.83
12/01/2016	2,464,742.50	1,047,225.00		3,511,967.50	4.82
12/01/2017	2,467,242.50	1,050,225.00		3,517,467.50	4.81
12/01/2018	2,465,532.50	-		2,465,532.50	6.86
12/01/2019	2,465,445.00	-		2,465,445.00	6.86
12/01/2020	2,466,025.00	-		2,466,025.00	6.86
12/01/2021	2,462,262.50	-		2,462,262.50	6.87
12/01/2022	2,464,825.00	-		2,464,825.00	6.87
12/01/2023	2,463,187.50	-		2,463,187.50	6.87
12/01/2024	2,467,350.00	-		2,467,350.00	6.86
12/01/2025	2,466,787.50	-		2,466,787.50	6.86
12/01/2026	2,466,500.00	-		2,466,500.00	6.86
12/01/2027	2,466,225.00	-		2,466,225.00	6.86
12/01/2028	2,465,700.00	-		2,465,700.00	6.86
12/01/2029	2,464,662.50	-		2,464,662.50	6.87
12/01/2030	2,462,850.00	-		2,462,850.00	6.87
Total	\$66,587,235.00	\$14,430,606.25	\$9,783,445.83	\$90,801,287.08	

* Assumed Interest rate of 11% (the federal maximum)

Net Revenues of the Electric Utility

	2003	2002
Operating Revenues	99,090,742	90,633,880
Operating Expenses	(88,078,566)	(78,725,261)
Plus: Depreciation	5,434,528	4,179,205
Interest Earnings	552,345	762,139
Net Revenues Available for Debt Service	\$16,999,049	\$16,849,963
Average		\$16,924,506