

FOR BOARD ACTION

Agenda Item # 5

Meeting Date: 5/26/09

SUBJECT: Approve Requesting Reimbursement Authorization for Substations, Distribution and Transmission Projects

PREPARED BY: Susan Parker, Director of Corporate Services

ITEM DESCRIPTION:

The Internal Revenue Service regulations generally require that the City of Rochester, acting through its Utility Board, makes a declaration of its official intent to reimburse itself for capital expenditures out of the proceeds of a subsequent bond issue within 60 days after the payment of the expenditures. The City Council has delegated the declaration authority to Dale Martinson, City Finance Director.

The Utility has several capital projects that may be financed in the future that have or will begin shortly. In order to maintain the maximum flexibility in future financing staff is recommending a request of reimbursement authority on the following projects:

ERP Costs not originally bonded	\$ 850,000
ERP Commissioning Costs	1,400,000
West Side Substation (2009 and 2010)	4,250,000
Bamber Valley T2 Addition	1,600,000
Transmission Line Q9 Reroute	1,000,000

The total amount requested to be declared for the reimbursement under the IRS regulations is \$9,100,000. This does not mean that the amount will be financed; it simply allows us to seek reimbursement in a future tax exempt financing. The debt issuance will come at a later date and will require the Utility Board and City Council approval.

FOR CAPITAL PURCHASES/BIDS/MAJOR PROJECTS:

Not Applicable

UTILITY BOARD ACTION REQUESTED:

Approve the projects requested for reimbursement in a future bond issues and authorize the staff to request the declaration from the City Finance Director.


General Manager

5/21/09
Date



RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota, to request the City Finance Director to prepare and execute the declaration of reimbursement bonds for the emission reduction, substation, distribution, and transmission projects in an amount of \$9,100,000, plus issuance costs, in accordance with Internal Revenue Service Section 1.150-2 of the Income Tax Regulations.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 26th day of May, 2009.

President

Secretary