

FOR BOARD ACTION

Agenda Item # 6

Meeting Date:

7/25/06

SUBJECT: Issuance of 2006A Water Utility Revenue Note

PREPARED BY: Curt Kraft, Director of Corporate Services

ITEM DESCRIPTION:

In the budget process for 2006, staff reviewed with the Board the need to do short term financing in the water utility. This would allow the utility to maintain the appropriate reserve levels without having a dramatic impact on rates.

Since 2003, the water relocation work done for Highways 52 & 63, which is a non-typical cost, has had a major draw on the water reserves. The cost to date of these activities is \$ 1,450,000 with an estimated \$200,000 additional outlay in 2006.

Based on the Board's liquidity policy, the water utility should be carrying cash reserves in the amount of a little more than \$ 2,000,000. It currently is carrying a balance of \$ 800,000, with our estimates showing no change at the end of the year.

Staff is recommending that a fixed rate note be issued against the Midwest Consortium of Municipal Utilities (MCMU) bond issue with net proceeds of \$ 1.5 million dollars for 5 years to finance water capital infrastructure improvements.

UTILITY BOARD ACTION REQUESTED:

The Board is requested to pass a resolution approving and consenting to the issuance of a Water Revenue Note, Series 2006A, 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 a Water Revenue Note, Series 2006A, 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 water system (the "Water Utility").
- (b) In order to provide financing for the Improvements, the Council is expected to consider for approval on August 7, 2006, a resolution entitled "Resolution Relating to a Water Revenue Note, Series 2006A; 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 Water Revenue Note, Series 2006A (the "Note"), specify the terms, rates of interest, redemption premiums, form, and other details of the Note, pledge the Net Revenues of the Water 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 Water 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 25th day of July, 2006.

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 Water Revenue Note, Series 2006A and approving a Project Loan Agreement.

WITNESS my hand as such Secretary this ____ day of _____, 2006.

Secretary
Rochester Public Utility Board