

Memorandum

To **Ken Scolaro**

From Bradley D. Viegut, Director

Subject Refunding 2001 Bonds

Date Wednesday, April 20, 2011

The Utility has the opportunity to refund (refinance) its 2001 Revenue Bonds for savings. The refunding does not extend the repayment period of the bonds, it only replaces higher interest rate debt with lower interest rate debt. Estimated savings net of issuance cost is \$131,222. I anticipate having a final resolution available for City Council consideration at its May 17, 2011 meeting. The adoption of the award resolution finalizes the terms of the borrowing. If interest rates increase before May 17th to the point that the refunding is no longer economical, the issue will be postponed.

A detailed analysis and timeline is attached.

City of Racine

Water Works Commission Example Refunding Timeline



APRIL 2011						
S	M	T	W	T	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

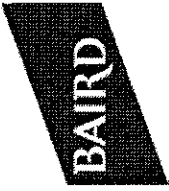
MAY 2011						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

JUNE 2011						
S	M	T	W	T	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		

Timeline

- Water Works Commission considers Plan of Finance..... April 26, 2011
- City Council considers communication from Water Commission May 3, 2011
 - Refers to Financing Committee
- Finance Committee considers Plan of Finance..... May 9, 2011
- Preparations are made for the issuance (compilation of Preliminary Official Statement, rating, marketing)
- City Council – second reading of Ordinance..... May 17, 2011
 - This step locks in interest rates and terms for the borrowing
- Closing..... June 3, 2011

City of Racine
Summary of Refinancing



Calendar Year	BEFORE REFINANCING				AFTER REFINANCING				TOTAL NEW DEBT SERVICE	DEBT SERVICE SAVINGS
	PRINCIPAL (9/1)	RATE	INTEREST (3/1 & 9/1)	TOTAL	PRINCIPAL (9/1)	RATE	INTEREST (3/1 & 9/1)	TOTAL		
	\$6,235,000				\$2,025,000					
	Waterworks System Mortgage Rev. Ref. Bonds Dated April 15, 2001				Waterworks System Mortgage Rev. Ref. Bonds (CR) Dated June 3, 2011					
2011	\$475,000	4.500%	\$132,369	\$607,369	\$510,000	2.000%	\$53,573	\$563,573	\$607,369	
2012	\$500,000	5.375%	\$110,994	\$610,994	\$500,000	2.000%	\$32,850	\$532,850	\$47,420	
2013	\$520,000	5.375%	\$84,119	\$584,119	\$505,000	2.000%	\$22,850	\$527,850	\$51,269	
2014	\$545,000	5.375%	\$57,244	\$577,244	\$510,000	2.500%	\$12,750	\$522,750	\$49,394	
2015			\$29,294	\$574,294					\$51,544	
	\$2,540,000		\$414,019	\$2,954,019	\$2,025,000		\$122,023	\$2,147,023	\$199,627	

CALLABLE MATURITIES	***
EFFECT OF CHANGE IN DSR FUND.....	(\$58,748)
EST. INVESTMENT EARNINGS (1)	\$858
ROUNDING AMOUNT.....	\$1,855
GROSS SAVINGS.....	\$143,591
PRESENT VALUE SAVINGS.....	\$131,222
PV SAVINGS %.....	6.355%

REFUNDED WITH 2011 ISSUE.

Maturities callable 9/1/2011 or any date thereafter.

(1) Calculated from 6/3/11 to 9/1/11 at recent LGIP rate of 0.17%.