

Memorandum

To Ken Scolaro

From Bradley D. Viegut, Director

Subject Refunding 2004 Bonds

Date Tuesday, April 17, 2012

The Utility has the opportunity to refund (refinance) its 2004 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 \$724,550. I anticipate having a final resolution available for City Council consideration at its June 5, 2012 meeting. The adoption of the award resolution finalizes the terms of the borrowing. If interest rates increase before June 5th to the point that the refunding is no longer economical, the issue will be postponed.

A detailed analysis and timeline is attached.

Racine Water Utility
 REFUNDING OF 2004 BONDS
 April 24, 2012

BAIRD

APRIL 2012						
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 2012						
S	M	T	W	T	F	S
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		

Issue Summary

\$14,385,000 Waterworks System Mortgage Revenue Refunding Bonds

Maturity Dates: Annually 09/01/2013 – 09/01/2024 (Does not extend repayment period of original bonds)

Call Provision: 2022 and thereafter; callable in 2021

Purpose: Refunds the 2004 Waterworks System Bonds

Savings: Approximately \$725,000 (Present Value – After Fees); Detailed Analysis Attached

Timeline

- Water Works Commission considers refunding..... April 24, 2012
- Communication to the Common Council..... May 1, 2012
- Finance Committee considers refunding..... May 7, 2012
- Preparations are made for the Bond issuance
- Common Council adopts the Award Resolution (finalizes all terms of the refunding bond)..... June 5, 2012

Racine Water Utility
REFUNDING OF 2004 BONDS
April 24, 2012

BAIRD

Summary of Refinancing

Calendar Year	BEFORE REFINANCING				AFTER REFINANCING			
	PRINCIPAL (9/1)	RATE	INTEREST (3/1 & 9/1)	TOTAL	PRINCIPAL (9/1)	RATE	INTEREST (3/1 & 9/1)	TOTAL
	\$15,905,000	4.650%	\$6,239,273	\$23,144,273	\$14,385,000	4.650%	\$4,031,575	\$18,416,575
	\$1,780,889	4.000%	\$795,889	\$1,780,889	\$119,625	2.67%	\$119,625	\$119,625
2012	\$1,025,000	3.625%	\$756,489	\$1,781,489	\$130,000		\$478,500	\$1,709,876
2013	\$1,060,000	3.700%	\$719,333	\$1,779,333	\$130,000		\$475,900	\$1,705,120
2014	\$1,105,000	5.000%	\$680,113	\$1,785,113	\$1,240,000		\$473,300	\$1,713,300
2015	\$1,160,000	5.000%	\$624,863	\$1,784,863	\$1,265,000		\$448,500	\$1,713,300
2016	\$1,215,000	5.000%	\$566,863	\$1,781,863	\$1,300,000		\$410,550	\$1,710,550
2017	\$1,270,000	5.000%	\$506,113	\$1,776,113	\$1,330,000		\$371,550	\$1,701,550
2018	\$1,335,000	5.000%	\$442,613	\$1,777,613	\$1,375,000		\$331,650	\$1,706,650
2019	\$1,405,000	5.000%	\$375,863	\$1,780,863	\$1,420,000		\$290,400	\$1,710,400
2020	\$1,475,000	5.000%	\$305,613	\$1,780,613	\$1,460,000		\$247,800	\$1,707,800
2021	\$1,545,000	5.000%	\$231,863	\$1,776,863	\$1,515,000		\$189,400	\$1,704,400
2022	\$1,625,000	4.650%	\$154,613	\$1,779,613	\$1,580,000		\$128,800	\$1,708,800
2023	\$1,700,000	4.650%	\$79,050	\$1,779,050	\$1,640,000		\$65,600	\$1,705,600
2024								
	\$1,560,458							
	\$1,709,876							
	\$1,705,120							
	\$1,713,300							
	\$1,713,300							
	\$1,710,550							
	\$1,701,550							
	\$1,706,650							
	\$1,710,400							
	\$1,707,800							
	\$1,704,400							
	\$1,708,800							
	\$1,705,600							
	\$220,431							
	\$71,613							
	\$74,213							
	\$71,813							
	\$71,363							
	\$71,313							
	\$74,563							
	\$70,963							
	\$70,463							
	\$72,813							
	\$72,463							
	\$70,813							
	\$73,450							
	\$1,086,269							

LESS TRANSFER FROM PRIOR ISSUE D/S FUND..... (\$220,431)
EFFECT OF CHANGE IN DSR FUND..... (\$10,489)
ROUNDING AMOUNT..... \$2,892
GROSS SAVINGS..... \$858,241
PRESENT VALUE SAVINGS..... \$724,550
PV SAVINGS %..... 5.237%

REFUNDED WITH 2012 ISSUE.
SOURCES OF FUNDS
Par Amount of Bonds \$14,385,000
Transfers from Prior Issue DSR Funds \$3,922,368
Reoffering Premium \$1,047,063
Transfers from Prior Issue Debt Service Funds \$220,431
Total Sources \$19,574,863
Uses Of Funds
Deposit to Net Cash Escrow Fund \$15,437,204
Deposit to Debt Service Reserve Fund (DSRF) \$3,911,880
Estimated Costs of Issuance \$222,888
Rounding Amount 2,892
Total Sources \$19,574,863

CALLABLE MATURITIES
Maturities callable 9/1/2014 or any date thereafter.

Interest Rate Sensitivity		
Change In Rates	Est. PV % Savings	Est. PV \$ Savings
+0.50%	8.554%	\$1,183,414
-0.40%	7.734%	\$1,070,052
-0.30%	6.922%	\$957,694
-0.20%	5.348%	\$878,184
-0.10%	5.789%	\$800,925
+0.10%	4.691%	\$649,048
+0.20%	4.152%	\$574,411
+0.30%	3.619%	\$500,628
+0.40%	3.091%	\$427,692
+0.50%	2.570%	\$355,592