


## MEMORANDUM

**To:** BOARD OF COMMISSIONERS **Meeting Date:** January 26, 2021

**From:** Peter M. Klein 

**Subject:** **PUBLIC HEARING - DISTRICT ENERGY ST. PAUL, INC.  
AUTHORIZATION FOR AN APPROXIMATE \$15,000,000 TAX-EXEMPT CONDUIT  
BOND ISSUE AND APPROVE THE AMENDED AND RESTATED JOINT POWERS  
AGREEMENT WITH THE HRA OF THE CITY OF SAINT PAUL  
RESOLUTION NO. 4687**

Action Requested:

Approval for the issuance of approximately \$15,000,000 of tax-exempt conduit revenue bonds for District Energy St. Paul, Inc. and to enter into a revised Joint Powers Agreement with the HRA.

Public Purpose:

Bond proceeds will provide funding necessary for District Energy to:

- Expand the distribution system
- Enhance the District Heating Plant
- Refinance existing bonds

Business Subsidy:

N/A

Background:

Attached is a report outlining the terms of the tax-exempt bond issue.

Disclosure:

The Port Authority Commissioners by SEC rules are obligated to disclose any risks of facts you may be aware of that would affect the probability of repayment of these bonds.

Recommendation:

We recommend the approval for the issuance of approximately \$15,000,000 of tax-exempt conduit bonds and to enter into a revised Joint Powers Agreement with the HRA of the City of Saint Paul.

PMK

Attachment

**PORT AUTHORITY OF THE CITY OF SAINT PAUL ISSUANCE OF  
BONDS – DISTRICT ENERGY ST. PAUL, INC.**

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<u>Action Requested:</u>	Approval of a resolution authorizing the issuance of an approximate \$15,000,000 conduit bond issue for District Energy St. Paul, Inc.
<u>Project Summary:</u>	Series 2021-1 (501(c)(3))            \$10,000,000 Series 2021-2 (AMT)                \$ 5,000,000
<u>Type:</u>	Fixed rate industrial development revenue tax-exempt bonds.
<u>Term:</u>	Series 2021-1 – 22 years Series 2021-2 – 22 years
<u>Issuer:</u>	Saint Paul Port Authority
<u>Issuer’s Counsel:</u>	Taft Stettinius & Hollister LLP
<u>Borrower:</u>	District Energy St. Paul, Inc.
<u>Trustee:</u>	U.S. Bank National Association
<u>Underwriter:</u>	Piper Sandler & Co.
<u>Borrower’s Counsel:</u>	Ballard Spahr, LLP
<u>Underwriter’s Counsel:</u>	Dorsey & Whitney
<u>Bond Counsel:</u>	Ballard Spahr, LLP
<u>The Company:</u>	District Energy St. Paul, Inc. is a 501(c)(3) non-profit company that provides heating services to 200 buildings with over 32 million building square feet in Saint Paul. It was incorporated in 1979 and has operated since 1983, formerly using the name District Heating, LLC.
<u>The Project:</u>	The bond proceeds will be loaned to the borrower and used to refinance existing debt, construct additional distribution lines and plant improvements.

Estimated Sources and Uses of Funds:

<u>Sources of Funds</u>	
Bond Proceeds	\$ 15,000,000
<u>Use of Funds</u>	
Construction	8,300,000
Refinancing	6,000,000
Debt Service Reserve	400,000
Cost of Issuance	<u>300,000</u>
Total	\$15,000,000

The Bonds: The bonds will be issued in two series in the approximate total principal amount of \$15,000,000. The estimated yield-to-maturity for the tax-exempt 501(c)(3) bonds is 3.3% and 3.9% for the AMT bonds.

Fees: The Port Authority will receive a fee of .35% of the principal amount of the bonds at closing and .25% of the outstanding principal amount of the bonds annually thereafter. These fees will be split equally with the HRA of the City of Saint Paul as outlined in the revised Joint Powers Agreement.

Conduit Financing: The bonds will be a conduit financing of the Port Authority and will not constitute or give rise to a liability of the Port Authority, the City of Saint Paul, or the State of Minnesota or a charge against their general credit or taxing powers.

Loan Agreement: Under the Indenture, the Port Authority will pledge its interest in the Loan Agreement to the trustee to secure the bonds. The trustee is authorized to exercise the rights of the Port Authority and to enforce the obligations of the borrower under the Loan Agreement.