


SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS
(Annual Meeting of October 24, 2017) **DATE:** October 13, 2017

FROM: Peter M. Klein 

SUBJECT: DISTRICT ENERGY ST. PAUL, INC. – AUTHORIZATION FOR AN APPROXIMATE \$25,000,000 TAX-EXEMPT AND TAXABLE BOND ISSUE RESOLUTION NO. 4610_____

Action Requested:

Final approval for the issuance of approximately \$25,000,000 of conduit revenue bonds for District Energy St. Paul, Inc.

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:

Last month, the Port Authority Board held a public hearing and gave its preliminary approval for the issuance of these bonds.

Attached is a report outlining the terms of the tax-exempt and taxable 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 \$25,000,000 of tax-exempt and taxable conduit bonds.

PMK:djk

Attachment

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

Action Requested: Approval of final resolution authorizing the issuance of an approximate \$25,000,000 conduit bond issue for District Energy St. Paul, Inc.

Project Summary:

Series 2017-3 (501(c)(3))	\$ 7,400,000
Series 2017-4 (AMT)	\$ 6,000,000
Series 2017-5 (Taxable)	\$11,600,000

Type: Adjustable rate industrial development revenue tax-exempt bonds and fixed-rate industrial development revenue taxable bonds.

Series 3 and 4 are tax-exempt and Series 5 is taxable.

Term: Series 2017-3 – 25 years
Series 2017-4 – 23 years
Series 2017-5 – 20 years

Issuer: Saint Paul Port Authority

Issuer’s Counsel: Briggs and Morgan, PA

Borrower: District Energy St. Paul, Inc.

Trustee: U.S. Bank National Association

Underwriter: Piper Jaffray & Co.

Borrower’s Counsel: Barnes & Thornburg LLP

Underwriter’s Counsel: Kennedy & Graven

Bond Counsel: Barnes & Thornburg LLP

The Company: District Energy St. Paul, Inc. is a 501(c)(3) non-profit company that provides heating services to 190 buildings with over 31 million building square feet in Saint Paul. It was incorporated in 1979 and has operated since 1983, formerly using the name District Heating, LLC.

The Project: 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:

Sources of Funds

Bond Proceeds	\$25,000,000
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Use of Funds

Construction	\$12,750,000
Refinancing	8,500,000
Capitalized Interest	850,000
Debt Service Reserve	2,100,000
Cost of Issuance	<u>400,000</u>

Total	\$25,000,000
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The Bonds:

The bonds will be issued in three series in the approximate total principal amount of \$25,000,000. The estimated yield-to-maturity for the tax-exempt 501(c)(3) bonds is 3.9% and 4.25% for the AMT bonds. The estimated yield-to-maturity for the taxable bonds is 4.3%. The taxable bonds may be placed privately and should that occur, the Port Authority would not issue them and would not have any involvement with that portion of the funding.

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.

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 has pledged 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.