

City Council Agenda Memo

From: Steve Meyer, BMU Executive VP/General Manager

Council Meeting: May 25, 2021

Subject: Brookings Municipal Utilities (BMU) Bond Retirement Issued 2011

Person(s) Responsible: Steve Meyer

Summary:

This resolution will facilitate the retirement of BMU Bonds issued in 2011 and authorize the Executive Vice President and General Manager of BMU to execute documents necessary to retire the outstanding debts by BMU Resolution No. 13-21 and Resolution No. 14-21 passed by the BMU Board on May 10, 2021.

Background:

The 2005 bond issue originally totaled \$1,600,000. The bond funded the South Dakota State University substation facilities in the Electric Fund. The average interest rate on the outstanding debt is approximately 5.95% and the bonds were originally scheduled to be totally paid off by June 2028.

The 2011 bond issue originally totaled \$6,500,000. The bond funded the reconstruction of 3 substations to include 4 transformers and construction of a 115 KV transmission line in the Electric Fund. The average interest rate on the outstanding debt is approximately 3.43% and the bonds were originally scheduled to be totally paid off by December 2031.

The outstanding balances at their retirement date total the amounts listed below:

		Outstanding Principal Balance
Electric Fund	2005 Bond Issue – Retire June 1, 2021	\$658,200
Electric Fund	2011 Bond Issue – Retire December 1, 2021	\$3,880,000
Total Principal		\$4,538,200
Less Bond Reserves		(\$525,529)
Total Outstanding Debt		\$4,012,671

Item Detail:

The BMU Board and City Council have a history of working closely on BMU debt. Supporting resolutions make it clear that both bodies are in agreement, which makes the bonds more attractive to investors and likely to receive better terms when issuing debt. The supporting resolutions when retiring debt is a good practice that supports clear communication and transparency.

Legal Consideration:

None.

Financial Consideration:

With the early retirement of debt, BMU financial plans continue to be met along with avoiding the initial interest rate charged on these bonds.

Options and Recommendation:

The City Council has the following options:

1. Approve as presented
2. Amend
3. Deny
4. Move to a Study Session
5. Do nothing

Staff recommends approval of the resolution as presented.

Supporting Documentation:

Resolution