



## MANITOWOC PUBLIC UTILITIES

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March 29, 2019

Honorable Mayor Justin Nickels  
And Members of Manitowoc Common Council  
Manitowoc City Hall  
900 Quay Street  
Manitowoc, WI 54220

Re: MPU 2014 Electric Bond Defeasance

Honorable Mayor and Members of Council:

MPU electric utility currently has two remaining debt issues, the 2009 Refunding Bonds and the 2014 Refunding Bonds. The final payment on the 2009 bonds will be made on October 1 this year; the 2014 bonds mature in 2029 and cannot be called. There is currently \$4,525,000 of principal remaining on the 2014 bond issue.

With the available cash in the electric utility fund, Robert W. Baird (Bond consultant) was contacted to prepare an analysis to defease the 2014 bonds, leaving the utility debt free as of October 2019. The attached analysis details that if MPU were to defease the 2014 bonds as of April 15, 2019, the utility would save approximately \$665,000 net of transaction fees. The current interest rates on these bonds are between 3.0 – 3.15%.

A defeasance is accomplished by setting up a trust to pay the debt over the remaining repayment schedule. Baird would setup this trust, which will remove the debt and cash from MPU's books.

Based on the analysis prepared by Robert W. Baird, the Manitowoc Public Utilities Commission at its meeting on March 25, 2019 unanimously approved to enter in to an agreement with R.W. Baird to complete the defeasance of the 2014 Electric Revenue Refunding Bonds upon City Council approval.

The MPU Commission is recommending that the City Finance Committee and Common Council approve the defeasance of the 2014 Electric Revenue Refunding Bonds.

Please feel free to call me at (920) 686-4351 for additional information.

Respectfully Submitted,

Nilaksh Kothari, P.E.  
CEO & General Manager

cc: Steve Corbeille, Finance Director, City of Manitowoc  
Attorney Kathleen McDaniel, City Attorney  
Cindy Carter, Senior Manager Business Services, MPU

Attachment

# Manitowoc Public Utilities

## Hypothetical Summary of Cash Defeasance

Transaction Date: April 15, 2019

	BEFORE DEFEASANCE				AFTER DEFEASANCE				
<b>Calendar Year</b>	Amount:	\$5,890,000			Amount:	\$5,890,000			<b>HYPOTHETICAL REDUCTION IN DEBT SERVICE</b>
	Type:	Elec. Power System Rev. Ref. Bonds, 2014			Type:	Elec. Power System Rev. Ref. Bonds, 2014			
	Date:	November 10, 2014			Date:	November 10, 2014			
	<b>Callable:</b>	<b>Noncallable</b>			<b>Callable:</b>	<b>Noncallable</b>			
	PRINCIPAL	RATE	INTEREST	TOTAL	PRINCIPAL	RATE	INTEREST	TOTAL	
	(10/1)		(4/1 & 10/1)		(10/1)		(4/1 & 10/1)		
2019	\$355,000	2.000%	\$133,143	\$488,143		2.000%	\$66,571	\$66,571	\$421,571
2020	\$365,000	3.000%	\$126,043	\$491,043		3.000%			\$491,043
2021	\$375,000	3.000%	\$115,093	\$490,093		3.000%			\$490,093
2022	\$385,000	3.000%	\$103,843	\$488,843		3.000%			\$488,843
2023	\$395,000	3.000%	\$92,293	\$487,293		3.000%			\$487,293
2024	\$410,000	3.000%	\$80,443	\$490,443		3.000%			\$490,443
2025	\$425,000	3.000%	\$68,143	\$493,143		3.000%			\$493,143
2026	\$435,000	3.000%	\$55,393	\$490,393		3.000%			\$490,393
2027	\$445,000	3.000%	\$42,343	\$487,343		3.000%			\$487,343
2028	\$460,000	3.050%	\$28,993	\$488,993		3.050%			\$488,993
2029	\$475,000	3.150%	\$14,963	\$489,963		3.150%			\$489,963
	<u>\$4,525,000</u>		<u>\$860,688</u>	<u>\$5,385,688</u>	<u>\$0</u>		<u>\$66,571</u>	<u>\$66,571</u>	<u>\$5,319,116</u>

**Maturity to be Partially Defeased**

Sources Of Funds	
Cash Requirement.....	\$4,407,298
DSRF Applied.....	\$246,571
<b>Total Sources.....</b>	<b>\$4,653,869</b>
Uses Of Funds	
Deposit to Net Cash Escrow Fund.....	\$4,631,869
General Consulting Fee.....	\$5,000
Bond Counsel Fee (est).....	\$5,000
Escrow Agent Fee (est).....	\$5,500
CPA Verification Fee (est).....	\$2,500
Bidding Agent Fee (est).....	\$4,000
<b>Total Uses.....</b>	<b>\$4,653,869</b>

Less: DSRF Applied	(\$246,571)
Less: Amount Needed for Escrow	(\$4,385,298)
Less: Costs of Issuance (Estimate)	(\$22,000)
<b>EST. SAVINGS FROM DEFEASANCE</b>	<b>\$665,247</b>

Robert W. Baird & Co. Incorporated is providing this information to you for discussion purposes only in seeking to provide consulting services to you regarding a possible cash defeasance. The defeasance does not contemplate or relate to a future issuance of municipal securities. Baird is not recommending that you take any action, and this information is not intended to be regarded as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934 or the rules thereunder. In providing this information, Baird is not acting as an advisor to you and does not owe you a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934. You should discuss the information contained herein with any and all internal or external advisors and experts you deem appropriate before acting on the information.