

FOR BOARD ACTION

Agenda Item # 4

Meeting Date:

12/11/12

SUBJECT:

RESOLUTION IN SUPPORT OF THE PRESERVATION OF TAX EXEMPT FINANCING

PREPARED BY:

Susan Parker, Director of Corporate Services

ITEM DESCRIPTION:

The American Public Power Association (APPA) and the Government Finance Officers Association (GFOA) have urged its members to pass resolutions in support of the preservation of tax exempt financing and to send letters to our national leadership. RPU is a member of both organizations.

As a partner in the CAPX 2020 project, RPU is estimating it could spend about \$49 million over the next three years. Most of this investment is expected to be financed with tax exempt bonds. The GFOA estimates that the loss of tax exempt financing could increase our interest cost as much as 1.5%. On the CAPX project alone, it would cost our customers an additional estimated \$15 million over the life of the bonds. As a municipal utility, we cannot look to shareholders to raise capital, and we are not eligible for tax incentives like the investor-owned utilities. The burden of the loss of tax exemption would effectively impose a federal tax on our customers.

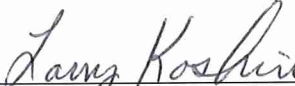
The preservation of tax exemption is critical for the investments RPU will be making in the very near future.

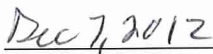
FOR CAPITAL PURCHASES/BIDS/MAJOR PROJECTS:

Not Applicable

UTILITY BOARD ACTION REQUESTED:

Management recommends that the Utility Board pass a resolution in support of preserving tax exempt financing and direct staff to prepare letters to our national leadership.


General Manager


Date



RESOLUTION

WHEREAS, a fundamental principle of tax-exempt financing is the ability of local governments to determine the services needed in the respective communities and to raise capital to provide the services free from federal tax on the bonds used. The exclusion of interest on state and local obligations from federal gross income is an important financing tool in a time where job creation and rebuilding critical infrastructure is critical to our nation's state and local economies.

AND WHEREAS, municipal utilities cannot look to shareholders to raise capital, and are not eligible for tax incentives available to private utilities, as a result, such a tax would severely reduce our utility's ability to finance infrastructure investments and would effectively impose a rate increase to all our ratepayers.

NOW THEREFORE BE IT RESOLVED, that the City of Rochester, acting by and through its Utility Board, opposes efforts by Congress and the Administration to eliminate or limit the use of tax-exempt bonds by State and Local governments or to change the ability of investors to claim the exemption.

BE IT FURTHER RESOLVED, that a copy of this Resolution shall be sent to our Congressional Representatives and the Administration.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 11th day of December, 2012.

President

Secretary