



MEMORANDUM

DATE: June 19, 2019

TO: Dan Duchniak, General Manager

FROM: Joe Ciurro, Administrative Services Manager

RE: Bond Rating

In the agreement that the Utility has with Bank of Montreal (BMO) for the 2018 draw bond (BAN), there is an implied requirement, as interpreted by BMO, for the Utility's debt to be rated. At the time of the agreement, the Utility had a rating posted for its 2008 revenue bonds at Aa2 by Moody's.

On October 1, 2018, the Utility refinanced the 2008 revenue bonds and subsequently, the rating was removed by Moody's, leaving the Utility unrated. BMO agreed to waive the requirement for a bond rating until June 30, 2019.

Also, as a requirement to applying for low-cost loans through WIFIA, the U.S. EPA requested that our application include a preliminary rating letter on the senior project obligations that includes an assessment of the WIFIA debt default risk, demonstrating that the project debt described in our financing plan is expected to achieve an investment-grade rating (i.e. an indicative rating).

We requested our financial advisors, Baker Tilly Municipal Advisors (formerly Springsted, Inc.) to request quotes from the two predominant bond rating agencies, Moody's and Standard & Poor's (S&P) to receive a bond rating and a indicative rating on a timeline that would meet our needs. The following is a summary of the quotes we received:

	Moody's	S&P
Bond Rating	\$ 6,000	\$ 10,000
Annual Rating Maintenance (\$3k x 3 years)	9,000	-
Indicative Rating	25,500	20,000
Total Fees	\$ 40,500	\$ 30,000

Our advisors recommended working with S&P with the fees noted above, and therefore, we are asking for Commission approval for bond rating services provided by Standard & Poor's.

Recommended Motion: Move to approve bond rating services with Standard & Poor's Financial Services LLC (S&P) in the amount of \$30,000.