

Management Committee

Meeting date: April 13th, 2016

For the Metropolitan Council meeting of April 27th, 2016

Subject: Authorization to Award General Obligation Debt Within Established Financial Parameters, Resolutions 2016-6, 2016-7, 2016-8

District(s), Member(s): All

Policy/Legal Reference: 3-1-2

Staff Prepared/Presented: Richard Koop, Senior Manager, Treasury (651-602-1629) and Jim Chang, Financial Analyst, Treasury (651-602-1366)

Division/Department: Multiple

Proposed Action

The Metropolitan Council adopt the attached parameters Resolution 2016-6, 2016-7, 2016-8, authorizing the issuance, sale and award of general obligation debt, the incurrence of related issuance expenses and execution of necessary documents to secure this financing. The Council is issuing three separate bond issues of which \$134.7 million is new debt and \$31 million is refunding (refinancing) current debt. The individual bond issues are comprised of the following:

Capital Funding and Refunding Purposes:

1. Series 2016A - \$30.0 million General Obligation Transit Bonds and \$7.0 million (current) Refunding Bonds,
2. Series 2016B - \$4.7 million General Obligation Park Bonds,
3. Series 2016C - \$100.0 million General Obligation Wastewater Revenue Bonds and \$24.0 million (current) Refunding Bonds

Background

Approximately once a year the Council issues debt securities such as bonds, notes and/or loans to fund the cash flow needs of capital projects as described in its capital budget. At the end of 2015, we had \$1.5 billion outstanding debt; of this amount, \$217 million will be re-paid by the end of 2016.

Current refunding bonds are bonds issued 90 days or fewer in advance of the stated redemption date or call date of the bond being refunded. The above Transit and Wastewater refunding bonds are projected to generate approximately \$0.6 million (8.3%) and \$2.3 million (7.1%) in net present value savings respectively.

Parameters Resolutions

This action item authorizes staff to award sale of the debt within parameters adopted by the Council as summarized below in the Rationale section and specified in the attached parameters resolutions. The parameters provide specific up-front information to the Council on expectations for the debt sales yet provide flexibility in setting the sale date to take advantage of the interest rate conditions in the market place, make minor adjustments to the structure of bonds, and give quicker award certainty to the underwriters which increases the attractiveness of the debt to investors. After the sale, staff will provide the results to the Management Committee and Council.

Rationale

The parameters established for the bond sales are included in the attached resolutions and their exhibits and appendices. Council staff will keep award of the bonds within the following parameters:

Parameter	2016A	2016B	2016C
Purpose	Transit	Park	Wastewater
Sale Authorization (days)	90	90	90
Max Par to Issue (million \$)	\$38.0	\$4.7	\$145.0
Minimum NPV Savings	2%*	n.a.	2%*
Min purchase price/issue	100%	100%	100%
Max True Interest Cost (%)	2.5%	2.0%	3.75%

**Pertains to refunding bonds portion only.*

Funding

General obligation Parks and Transit bonds will be paid from property tax levies.

General obligation Wastewater bonds will be paid from wastewater system revenues; although available as a resource, no property tax levies are expected for wastewater debt.

Known Support / Opposition

None