

## Management Committee

For the Metropolitan Council meeting of December 11, 2013

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**Subject:** Authorization to adopt Resolution 2013-25 for issuance of Refunding Certificates of Participation (COPs) {Attach A} and a Related Lease Purchase Agreement {Attach B} (390 Robert Street North, St. Paul, MN)

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### **Proposed Action**

That the Metropolitan Council adopt the attached parameters Resolution 2013-25 which provides for the issuance of Refunding Certificates of Participation (COPs) through an attached draft trust agreement with Wells Fargo, for the Council to enter a related lease purchase agreement (draft attached) for the Council's central office at 390 Robert Street North in St. Paul, to incur related issuance expenses and to execute related documents needed to fulfill this resolution.

### **Summary of Committee Discussion/Questions**

Allen Hoppe, Senior Manager, Treasury, reviewed the business item for the Committee and highlighted the parameters by which the debt is being authorized. He pointed out that the Council expects about \$0.5 million in present value savings from this re-financing. Additionally, it is expected that total interest expense will be cut about in half and the final maturity is likely to be shortened by one year. The benefits of refunding was touched on when Mr. Brimeyer mentioned the significance of the 2012 savings from refinancing various Council debt (\$42 million). Staff continues to monitor its debt portfolio for additional refinancing opportunities.

## Management Committee

Meeting date: November 13, 2013

For the Metropolitan Council meeting of December 11, 2013

**Subject:** Authorization to adopt Resolution 2013-25 for issuance of Refunding Certificates of Participation (COPs) {Attach A} and a Related Lease Purchase Agreement {Attach B} (390 Robert Street North, St. Paul, MN)

District(s), Member(s): All

**Policy/Legal Reference:** MS 473.129 as amended and Policy 3-1-2

**Staff Prepared/Presented:** Allen Hoppe, Sr. Manager (651-602-1629)

Division/Department: RA—Finance/Treasury

### Proposed Action

That the Metropolitan Council adopt the attached parameters Resolution 2013-25 which provides for the issuance of Refunding Certificates of Participation (COPs) through an attached draft trust agreement A with Wells Fargo, for the Council to enter a related lease purchase agreement (draft attached B) for the Council's central office at 390 Robert Street North in St. Paul, to incur related issuance expenses and to execute related documents needed to fulfill this resolution.

### Background

The Council coordinated the issuance of \$13.53 million of Certificates of Participation in 2004 via a trust account at Wells Fargo. The original COPs have a final maturity date of 2025 but are nearing their first call date (June 1, 2014). Interest rates are now significantly attractive enough to refinance the original COPs, reduce the interest expense (net of any underwriter premium or discount) by approximately 50% for an estimated net present value savings of about \$500,000, and shorten the length of the corresponding building lease by about one year.

The refunding COPs will be special obligations, not general obligations, of the Council. The Council will sign a lease purchase agreement to pay appropriation-contingent lease/rent to the trustee. The Council will also join the trustee in a trust agreement which pledges lease/rent payments to pay principal and interest due to the certificate holders.

### Parameters Resolutions

This action item authorizes staff to administer the issuance of the COPs and enter a lease purchase agreement within parameters adopted by the Council as summarized in the below Rationale section and specified in the attached parameters resolutions. The parameters provide specific up-front information to the Council about the COPs and the lease, provide flexibility in setting the sale date so as to optimize conditions in the market place, allow for minor adjustments to the structure of refunding COPS, and give quicker award certainty to the underwriters which increases the attractiveness of the certificates to investors. Results of the refunding COP sale and related lease will be provided to the Management Committee and Council

## **Rationale**

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

120	Sale authorization period (days)
\$9.2	Maximum par to issue (million\$)
3%	Minimum net present value savings vs. prior debt service
\$98.31261	Minimum price paid in bid for COPS on each \$100 of par

## **Funding**

As in the past, lease payments will continue to be made to the trust from the Council's general fund.

## **Known Support / Opposition**

None.