



Meeting date: September 12, 2007

ADVISORY INFORMATION	
Date:	September 11, 2007
Subject:	Authorization of PFA Transit Loan and Certification of Anticipatory Debt Service Levy (Resolution 2007-28)
District(s), Member(s):	All
Policy/Legal Reference:	Mn. Stat. 473.39, Subd. 11, Mn. Stat. 475.61, Subd. 1 and Council Policy 3-1-1
Staff Prepared/Presented:	Beth Widstrom-Anderson, Chief Financial Officer (651-602-1567) Alan Morris, Regional Administration (651-602-1446)
Division/Department:	Regional Administration

Proposed Action/Motion

That the Metropolitan Council approve the attached Resolution 2007-28 authorizing the Regional Administrator or his designee ~~Chief Financial Officer~~ to negotiate the terms of a \$10,000,000 transit loan with the Minnesota Public Facilities Authority and directing the Chair to authorize and direct the county auditors in the metropolitan counties to levy a property tax of \$1,219,923 for estimated debt service on the transit loan.

Issue(s)

Additional funds are necessary to finance transit capital projects. The PFA loan allows the Council to finance transit capital projects at below market interest rates.

Overview and Funding

In 2006, the Metropolitan Council approved Resolution 2006-21 ~~applying applied~~ for a transit loan from the Minnesota Public Facilities Authority (PFA) under the Transportation Revolving Loan Fund (TRLF). Under that program, the PFA combines funds from the TRLF with bond proceeds from PFA to provide below-market interest rate loans to governmental entities to finance eligible transportation projects. The Council application was approved by the Minnesota Department of Transportation for certification to the PFA in May, 2006. The loan proceeds will be used to finance the purchase of forty-foot diesel and hybrid buses. Based on preliminary discussions with PFA, the interest rate on the loan is anticipated to be 150 basis points less than the projected bond interest rate.

The Public Facilities Authority plans to issue the transit bonds to provide the loan to the Council in January, 2008. This action authorizes the Regional Administrator or his designee to negotiate the terms of the loan agreement and directs the Chair to direct the county auditors to levy a debt service property tax.

In conjunction with the execution of the loan agreement, the Council needs to certify property tax levy to pay the debt service on the transit loan. The proposed property tax levy for the PFA loan was included in the proposed property tax levy information provided to the Council when the Council certified other levies on August 22. Because of the timing of the bond sale and the loan agreement, the payable 2008 property tax levy related to the loan needs to be certified as an anticipatory levy. The property tax levy needs to be certified to the county auditors by September 15. Because of this deadline, the Council action is proposed as a same week item.

METROPOLITAN COUNCIL
390 North Robert Street, St. Paul, Minnesota 55101-1805

RESOLUTION NO. 2007-28

**RESOLUTION RELATING TO ISSUANCE OF A GENERAL
OBLIGATION TRANSIT NOTE, SERIES 2008A**

WHEREAS:

- A. The Minnesota Public Facilities Authority (“PFA”) has the authority to make loans from its Transportation Revolving Fund (the “PFA Loans”) funded from proceeds of revenue bonds (“PFA Bonds”) and other sources to the Metropolitan Council, State of Minnesota (the “Council”), to provide funds to finance certain capital expenditures as prescribed in the Council’s regional transit master plan and transit capital improvement program;
- B. The Council may obligate itself to repay the PFA Loans through the issuance of general obligation transit bonds issued in the form of a single debt instrument (the “Note”) pursuant to Minnesota Statutes, Section 473.39, subdivisions 1K and 1L; and
- C. The Council has applied for a PFA Loan in an aggregate amount not to exceed \$10,000,000, and the PFA would make the PFA Loan and disburse the proceeds thereof in accordance with a bond purchase and project loan agreement (the “Agreement”) between the PFA and the Council;

NOW, THEREFORE, BE IT RESOLVED by the Metropolitan Council as follows:

- 1. Terms of Loan. The Regional Administrator or his designee is authorized to negotiate the terms of the Agreement and Note and to present the negotiated terms and the forms of the Agreement and Note to the Council.
- 2. Tax Levy. Pursuant to the provisions of Minnesota Statutes, Section 475.61, Subdivision 1, the Chair of the Council is directed to authorize and direct the County Auditors of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties to levy on all taxable property in the metropolitan transit area and transit taxing district as provided in Minnesota Statutes, Sections 473.39 and 473.446, in 2007, for payment in 2008, a direct general ad valorem tax of \$1,219,923 for estimated debt service on the Note to be issued by the Council in 2008.

Adopted: September 12, 2007.

Pat Curtiss, Recording Secretary

Peter Bell, Chair

KEY TERMS OF PROPOSED TRANSIT LOAN AGREEMENT

- The Metropolitan Council is borrowing \$10 million from the PFA for approved transit projects and will pay the loan back over 10 years.
- Loan proceeds will be used to purchase forty-foot buses. Approximately half of the loan proceeds will be used to purchase hybrid buses and half used to purchase standard diesel buses.
- PFA funds are drawn down by the Council on a reimbursement basis after eligible expenses are incurred. Interest is accrued on the loan only as funds are disbursed to the Council.
- The interest rate on the loan will be approximately 150 basis points below the interest rate on the PFA bonds.
- Principal repayments will start on February 1, 2009 and annual principal and interest payments will generally be level over the life of the loan.
- The Council must execute a General Obligation Note pledging its full faith and credit to secure repayment of the loan. The Council will levy annual property taxes over the life of the loan equal to 105% of the annual principal and interest payments.