

M Management Committee
For the Metropolitan Council meeting of October 28, 2009

ADVISORY INFORMATION

Date Prepared: October 20, 2009

Subject: Authorization to Award General Obligation Refunding Bonds Within Established Financial Parameters, Resolutions 2009-45, 2009-46

Proposed Action:

That the Metropolitan Council adopt Resolutions [2009-45](#) and [2009-46](#) authorizing issuance and award of sale of General Obligation Refunding Bonds and execution of other necessary documents to complete the sale of these bonds.

Summary of Committee Discussion / Questions:

Council Deputy CFO Mary Bogie presented the two refunding bond issues, describing the characteristics, parameters, and benefits for each. These are parameters resolutions, i.e., so long as the bond bids are within the parameters stated in the resolutions, the CFO (or designee) is likely to confirm the bond sales to the bond underwriters. Springsted Incorporated, a Council financial advisor, was also present to respond to questions.

If market conditions are favorable, Council staff is planning that the bond sales will occur sometime between November 9, 2009 and February 24, 2010. Results will be provided as informational items at the subsequent respective meetings of the Management Committee and Council. The combined net present value savings from the two refundings may be in the neighborhood of \$1 million. If market conditions are not financially favorable, the bond sales will not be completed.

M Management Committee

Business Item
Items: 2009-364

Meeting date: October 14, 2009

ADVISORY INFORMATION

Date: October 6, 2009
Subject: Authorization to Award General Obligation Refunding Bonds Within Established Financial Parameters
District(s), Member(s): All
Policy/Legal Reference: Policy 3-1-2
Staff Prepared/Presented: Mary Bogie, Deputy CFO, 651-602-1359
Division/Department: All

Proposed Action

That the Metropolitan Council adopt Resolutions [2009-45](#) and [2009-46](#), authorizing issuance and award of sale of general obligation refunding bonds, and execution of other necessary documents to complete the bond sales.

Background

The Council regularly issues bonds to finance new capital projects; such bonds are sold at interest rate levels that reflect conditions in the financial marketplace at that time. Just as individuals can refinance their mortgage when interest rates fall, the Council can refinance its bond issues. This action item supports the refinancing (a.k.a., “refunding”) of certain amounts of the outstanding balance of the Council’s General Obligation Transit Bonds, Series 2001B, and its General Obligation Sewer Bonds, Series 2001D. *Council policy requires a minimum debt service savings of 3.0% when refunding a bond issue. Under current market conditions, the estimated net present value of savings is: 2001B bonds=\$1.3 million or 10.6% of debt service; 2001D bonds=\$0.5 million or 6.9% of debt service.*

This action item authorizes staff to award sale of the bonds within specific parameters adopted by the Council as summarized in the below Rationale section. It provides specific up-front information to the Council on expectations for the sale yet provides flexibility in setting the sale date to take advantage of the most advantageous interest rate conditions in the market place. Once the bids have been authorized, staff will return to the Management Committee and Council with informational items that report the results of the bond sales. Wastewater (new capital) bonds will likely be sold in 2010.

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:

Item	Refunding 2001B Metro Transit Bonds	Refunding 2001D Environ. Services Bonds
Sale Authorization Period	120 days	120 days
Par to Refund	\$10.825 million	\$6.755 million
Estimated New Bond Par Issuance ^(a)	\$10.965 million	\$6.920 million
Minimum Savings on Debt Service ^(b)	3.0%	3.0%
Minimum Savings on Interest ^(b)	8.0%	8.0%

^(a) Par will most likely be re-sized up, or down, to avoid over/under-issuance.

^(b) Each new bond series must satisfy both minimum savings tests.

Funding--The refundings are being undertaken so as to lower interest expense on debt.

Known Support / Opposition—None.