

M Management Committee

For the Metropolitan Council meeting of November 10, 2010

ADVISORY INFORMATION

Date Prepared: November 1, 2010

Subject: Authorization to Award General Obligation Bonds Within Established Financial Parameters

Proposed Action:

That the Metropolitan Council adopt parameters Resolutions [2010-38](#), [2010-39](#), and [2010-40](#), authorizing issuance and award of sale of general obligation bonds and execution of other necessary documents to complete the bond sales.

Summary of Committee Discussion / Questions:

The resolutions were presented by Deputy CFO, Mary Bogie, and the Council's Senior Manager, Treasury, Allen Hoppe. These are parameters resolutions, i.e., as long as the bond bids are within the parameters stated in the resolutions, the Council's Chief Financial Officer (or designee) is likely to confirm the bond sales to the bond underwriters. Results of the bond sales will be provided to the Council at the first Council meeting following the bond sales which will occur within 90 days of approval of the above proposed action. In order to qualify for the federal subsidy of 35% of the interest payment on Build America Bonds (BABs), we must deliver the bonds to buyers before January 1, 2011. If market conditions continue to be favorable, the bond sales will occur on December 2, 2010.

The bonds will provide cash for funding numerous capital projects specific to Transit, Wastewater, and Parks. The underlying capital project expenses have already been authorized in the Unified Capital Budget and Capital Improvement Program (CIP).

The Parks bonds are scheduled to be sold as tax exempt bonds. The Transit and Wastewater bonds will initially be offered as a combination of tax exempt and Build America Bonds (BABs). Before award of the Transit and Wastewater bonds, our financial advisor (Springsted, Inc.) will recommend what portion of the Transit and Wastewater bonds should be sold as either tax exempts or BABs, or some combination thereof.

The Parks and Transit bonds are entirely supported by property taxes. Debt service on the Wastewater bonds is expected to be funded entirely by wastewater system revenues.

Considerations mentioned as reasons to issue debt now:

1. The Council's bond construction funds are out of cash in the fourth quarter of 2010,
2. The December 31, 2010 expiration of the ability to qualify for the BABs 35% interest rate subsidy (currently, a \$6 million nominal value to the Council), and
3. The national Bond Buyer Index (BBI) last approached the October 2010 low point (of 3.82%) in September, 1959 (51 years ago).

M Management Committee

Business Item
Items: 2010-369

Meeting date: October 27, 2010

ADVISORY INFORMATION

Date: October 21, 2010
Subject: Authorization to Award General Obligation Bonds Within Established Financial Parameters
District(s), Member(s): All
Policy/Legal Reference: Policy 3-1-2
Staff Prepared/Presented: Allen Hoppe, Sr. Manager Treasury, 651-602-1629
Division/Department: All

Proposed Action

That the Metropolitan Council adopt parameters Resolutions 2010-38, 2010-39, and 2010-40, authorizing issuance and award of sale of general obligation bonds and execution of other necessary documents to complete the bond sales.

(Resolutions will be distributed at the meeting)

Background

The Council generally issues general obligation bonds on an annual basis to fund Transit, Wastewater, and Parks capital projects. Bond offerings are developed with the assistance of a financial advisor and external bond counsel.

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 and puts efficiencies into the bond issuance process. Once the bids have been authorized, staff will return to the Management Committee and Council with an informational reporting of the results of the bond sales.

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	Metro Transit	Wastewater	Parks
Sale Authorization (days)	90	90	90
Maximum Authorized Par Amount	\$69.0 million	\$65.0 million	\$8.6 million
Bid Limits (% of authorized total par)	99.2%-102.0%	99.2%-102.0%	99.2%-107.0%
Maximum True Interest Cost (TIC)	3.00%	3.20%	1.80%

Funding

The proposed new money bond issues are included in the 2010 Operating Budget and 2011-2015 Capital Program and Budget.

Known Support / Opposition

None.