

# M Management Committee

For the Metropolitan Council meeting of January 26, 2011

## **ADVISORY INFORMATION**

**Date Prepared:** January 18, 2011,

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

### **Proposed Action:**

That the Metropolitan Council adopt parameters Resolution 2011-03, authorizing issuance and award of sale of General Obligation Wastewater Revenue Refunding Bonds, Series 2011B, and execution of other necessary documents to complete the bond sale.

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

The resolutions were presented by the Council's Senior Manager, Treasury, Allen Hoppe. These are parameters resolutions, i.e., as long as the bond underwriter proposals (bids) are within the parameters stated in the resolutions, the Council's Chief Financial Officer (or designee) is likely to confirm the bond sale to the underwriter with the proposal which offers the lowest true interest cost that is expected to provide the best present value of savings for the refunded bonds. Results of the bond sale are expected to be provided to the Management Committee and Council at their respective subsequent meetings. If market conditions continue to be favorable, the bond sale will occur in February.

The bonds will provide cash to fully refinance (refund) our General Obligation Sewer Refunding Bonds, Series 2002B, for a present value savings of approximately \$0.6 million. Debt service on the 2011B bonds is expected to be funded entirely by wastewater system revenues.

Committee members raised general questions/discussion about the municipal market place and interest rates.

# M Management Committee

Business Item

Items: 2011-26

Meeting date: January 12, 2011

## ADVISORY INFORMATION

**Date:** January 7, 2011  
**Subject:** Authorization to Award General Obligation Refunding Bonds Within Established Financial Parameters, Resolution 2011-03  
**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 [Resolution 2011-03](#), authorizing the issuance, sale and award of general obligation wastewater revenue refunding bonds, and execution of other necessary documents to complete this event.

### Background

Council policy requires that a debt instrument which is refinanced for the purpose of lowering interest costs must realize a net present value ("NPV") savings of at least 3% of the future principal and interest of the refunded bonds. Currently, this refunding is projected to have an NPV savings of about 5.6% (equivalent to about \$0.6 million).

#### Parameters Resolution

This action item authorizes staff to award sale of the bonds within 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 quicker award certainty to the underwriters. 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 (next page):

<i>Item</i>	<i>2011B Bonds Refund 2002B Bonds</i>
Sale Authorization Period	120 days
Par to Refund	\$9.57 million
Maximum Par to be Issued	\$9.67 million
Minimum Savings on 2002B Debt Service	3.0%
<b>Type</b>	Tax Exempt

**Funding**--The refunding is being undertaken to lower interest expense on debt. The refunding bonds contain a general obligation pledge, but no part of this pledge is expected to be needed during the repayment periods; all of the debt service is expected to be paid from net revenues of the wastewater disposal system.

**Known Support / Opposition**—None.