



**Request for City Council Committee Action  
From the Finance Department**

Date: April 26, 2010  
To: Ways and Means/Budget Committee  
Referral to:

**Subject: Refunding of General Obligation Tax Increment Bonds for savings**

**Recommendation: The City Council adopt a resolution approving the issuance of General Obligation Tax Increment Refunding Bonds in compliance with applicable Minnesota Statutes and authorizing the Chief Financial Officer to award the bonds to the successful bidder.**

**Previous Directives: Various General Obligation Tax Increment Bonds currently outstanding were issued at the request of the City Council.**

Prepared or Submitted by Michael Abeln, Director, Capital & Debt Management, 612-673-3496

Approved by: Patrick Born, Chief Financial Officer \_\_\_\_\_

Steven Bosacker, City Coordinator \_\_\_\_\_

Presenters in Committee: Michael Abeln, Director, Capital & Debt Management, 612-673-3496

**Financial Impact** (Check those that apply)

No financial impact - or - **Action is within current department budget.**  
(If checked, go directly to Background/Supporting Information)

Other financial impact (Explain): Tax Increment Bond Refunding for interest savings

Request provided to the Budget Office when provided to the Committee Coordinator

## Background/Supporting Information: Resolution Attached

The City currently has four General Obligation Tax Increment fixed rate bond series which carry interest rates at above the current market conditions. This results in an opportunity to capture debt service savings by refunding these bonds and reissuing them at current interest rates. We estimate that refunding three of these series of bonds will save approximately \$2,148,171 of interest cost on a net present value basis as well as reducing the life of the bonds and thus the life of the TIF Districts supporting the debt.

The fourth series can be prepaid with cash on hand at the call date of February 1, 2011. This series is the General Obligation Tax Increment Bonds, Series 2001B, issued in the amount of \$1,100,000 with all bonds still outstanding. These bonds have maturities from 2/1/2014 to 2/1/2026 and interest coupons ranging from 4.25% to 5.00%. These bonds are associated with the West Side Milling TIF District and there is currently sufficient tax increment available to pay off the bonds on 2/1/2011, thereby saving approximately \$585,000 in future interest costs.

The following details describe the three issues to be refunded;

( 1 ) The November 2001 \$15,275,000 Taxable General Obligation Tax Increment Bonds, Series 2001A ( \$14,495,000 is still outstanding ) with a call date of February 1, 2011 and maturities and rates as follows;

2011	\$ 325,000	at 5.10%,
2012	\$ 400,000	at 5.20%,
2013	\$ 450,000	at 5.30%,
2014	\$ 500,000	at 5.55%,
2015	\$ 550,000	at 5.55%,
2016	\$ 625,000	at 5.60%,
2017	\$ 700,000	at 5.70%,
2018	\$ 800,000	at 5.80%,
2019	\$ 875,000	at 6.00%,
2020	\$ 975,000	at 6.00%,
2021	\$1,050,000	at 6.00%,
2022	\$1,175,000	at 6.00%,
2023	\$1,300,000	at 6.055%,
2024	\$1,450,000	at 6.055%,
2025	\$1,575,000	at 6.055%, and
2026	\$1,745,000	at 6.055%.

These bonds are related to the West Side Milling Project (TIF District #86). The estimated net present value savings on this series of bonds is \$1,359,011.

( 2 ) The November 2001 \$4,500,000 General Obligation Tax Increment Bonds, Series 2001C, ( \$4,235,000 is still outstanding ) with a call date of February 1, 2011 and maturities and rates as follows;

2011	\$	105,000	at	4.00%,
2012	\$	115,000	at	4.00%,
2013	\$	125,000	at	4.00%,
2014	\$	140,000	at	4.20%,
2015	\$	155,000	at	4.30%,
2016	\$	165,000	at	4.40%,
2017	\$	185,000	at	4.50%,
2018	\$	200,000	at	4.60%,
2019	\$	215,000	at	4.70%,
2020	\$	230,000	at	4.75%,
2021	\$	250,000	at	4.75%,
2022	\$	270,000	at	4.75%,
2023	\$	290,000	at	4.75%,
2024	\$	310,000	at	5.00%,
2025	\$	335,000	at	5.00%,
2026	\$	355,000	at	5.00%,
2027	\$	380,000	at	5.00%, and
2028	\$	410,000	at	5.00%,

These bonds are related to the Humboldt Greenway Project (TIF District #98). The estimated net present value savings on this series of bonds is \$353,094.

( 3 ) The January 2003 \$26,350,000 General Obligation Tax Increment Refunding Bonds, Series 2003, ( \$5,570,000 is still outstanding ) with a call date of March 1, 2010 and maturities and rates as follows;

2011	\$	790,000	at	3.50%,
2012	\$	840,000	at	3.75%,
2013	\$	895,000	at	4.00%,
2014	\$	950,000	at	4.00%,
2015	\$	1,015,000	at	4.125%, and
2016	\$	1,080,000	at	4.20%,

These bonds are related to the Laurel Village Project (TIF District #64). As part of this refunding, the City will be using cash on hand to prepay the 2016 maturity. The estimated net present value savings on this series of bonds is \$436,066.

The Finance department recommends the City Council adopt the attached resolution requesting the issuance of City of Minneapolis General Obligation Tax Increment Refunding Bonds to refund the above issues for savings. The resolution describes the maturity structure of the two refunding issues (one taxable and one tax exempt) and provides flexibility for the Chief Financial Officer to make adjustments for market conditions as necessary on the day of sale and authority to award the bonds to the successful bidder. The Chief Financial Officer will report the results back to the City Council after completion of the refunding transactions.