



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

Date: April 12, 2010
To: Ways and Means/Budget Committee
Referral to: Board of Estimate & Taxation for Action

Subject: Refunding of General Obligation Bonds for debt service savings

Recommendation: The City Council adopt a resolution requesting the Board of Estimate & Taxation to issue General Obligation Refunding Bonds in compliance with applicable Minnesota Statutes.

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

Prepared or Submitted by: Michael Abeln, Director of Capital & Debt Mgmt, 673-3496

Approved by: Patrick Born, Chief Financial Officer _____

Steven Bosacker, City Coordinator _____

Presenters in Committee: Michael Abeln, Director of Capital & Debt Mgmt, 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)
- Action requires an appropriation increase to the Capital Budget
- Action requires an appropriation increase to the Operating Budget
- Action provides increased revenue for appropriation increase
- Action requires use of contingency or reserves
- Other financial impact (Explain): future debt service savings
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)

- Neighborhood Notification
- City Goals
- Comprehensive Plan
- Zoning Code
- Other
- Not applicable

Background/Supporting Information Attached

Several City of Minneapolis General Obligation fixed rate bond series issued in previous years have interest rates significantly above the current market rates and therefore present an opportunity to capture debt service savings through refunding. The estimated net present value savings on the debt service associated with the \$189,740,000 of outstanding bonds listed below, based on current market conditions, is approximately \$21,800,000.

The following issues meet the conditions for refunding consideration:

- 1) The January 2000 \$10,800,000 General Obligation Parking Ramp Bonds, Series 2000A, \$10,325,000 still outstanding with a call date of December 1, 2010 and a final maturity of 2025 and with rates on the outstanding maturities ranging from 5.25% to 6.00%.
- 2) The June 2000 \$5,000,000 General Obligation Tax Increment Bonds, Series 2000, \$2,700,000 still outstanding with a call date of December 1, 2010 and a final maturity of 2015 and with rates on the outstanding maturities of 5.25%. This issue was for the skyway associated with the St. Thomas/WMEP Ramp. There is no tax increment commitment to debt service on this issue; the parking fund is responsible for all debt service.
- 3) The August 2001 \$93,000,000 General Obligation Various Purpose Bonds, Series 2001, \$26,115,000 still outstanding with a call date of December 1, 2011 and a final maturity of 2022 and with rates on the outstanding maturities of 5.00%.
- 4) The August 2001 \$9,245,000 General Obligation Improvement Bonds, Series 2001, \$4,710,000 still outstanding with a call date of December 1, 2011 and a final maturity of 2021 and with rates on the outstanding maturities from 4.10% to 5.00%.
- 5) The July 2002 \$35,200,000 General Obligation Various Purpose Bonds, Series 2002, \$10,400,000 still outstanding with a call date of December 1, 2010 and a final maturity of 2021 and with rates on the outstanding maturities from 4.10% to 4.75%.
- 6) The July 2002 \$108,200,000 General Obligation Convention Center Bonds, Series 2002, \$87,500,000 still outstanding with a call date of December 1, 2010 and a final maturity of 2020 and with rates on the outstanding maturities of 5.00%.

7) The November 2002 \$5,890,000 General Obligation Improvement Bonds, Series 2002, \$3,380,000 still outstanding with a call date of December 1, 2010 and a final maturity of 2022 and with rates on the outstanding maturities from 4.00% to 5.00%.

8) The November 2002 \$48,400,000 General Obligation Convention Center Bonds, Series 2002A, \$22,575,000 still outstanding with a call date of December 1, 2010 and a final maturity of 2013 and with rates on the outstanding maturities of 5.00%.

9) The June 2003 \$68,615,000 General Obligation Various Purpose Bonds, Series 2003, \$18,660,000 still outstanding with a call date of December 1, 2010 and a final maturity of 2025 and with rates on the outstanding maturities from 4.00% to 4.25%.

10) The November 2003 \$6,130,000 General Obligation Improvement Bonds, Series 2003, \$3,375,000 still outstanding with a call date of December 1, 2010 and a final maturity of 2023 and with rates on the outstanding maturities from 3.25% to 4.50%.

Recommendations:

The Finance Department recommends the City Council adopt the attached resolution requesting the Board of Estimate & Taxation to issue and sell City of Minneapolis General Obligation Refunding Bonds to refund the above issues. It is anticipated that the Board of Estimate & Taxation would issue these refunding bonds at the same time it issues bonds to support the 2010 capital program. It is further recommended that the Chief Financial Officer be authorized to transfer cash budgeted for debt service in 2010 and cash in excess of an Enterprise fund's cash level policy to reduce the size of the refunding and save additional debt service. The Chief Financial Officer shall report the results and savings on each series to the City Council after the completion of the transaction.

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By Hodges

Requesting that the Board of Estimate and Taxation incur indebtedness and issue and sell City of Minneapolis General Obligation Refunding Bonds to refund certain outstanding General Obligation Bonds of the City of Minneapolis for certain purposes other than the purchase of public utilities.

Resolved by the City Council of The City of Minneapolis;

That the Board of Estimate and Taxation be requested to incur indebtedness and issue and sell City of Minneapolis General Obligation Refunding Bonds for the purpose of securing debt service savings relating to the following issues;

- 1) The January 2000 \$ 10,800,000 General Obligation Parking Ramp Bonds, Series 2000A, \$ 10,325,000 still outstanding.
- 2) The June 2000 \$ 5,000,000 General Obligation Tax Increment Bonds, Series 2000, \$ 2,700,000 still outstanding.
- 3) The August 2001 \$ 93,000,000 General Obligation Various Purpose Bonds, Series 2001, \$ 26,115,000 still outstanding.
- 4) The August 2001 \$ 9,245,000 General Obligation Improvement Bonds, Series 2001, \$ 4,710,000 still outstanding.
- 5) The July 2002 \$ 35,200,000 General Obligation Various Purpose Bonds, Series 2002, \$ 10,400,000 still outstanding.
- 6) The July 2002 \$ 108,200,000 General Obligation Convention Center Bonds, Series 2002, \$ 87,500,000 still outstanding.
- 7) The November 2002 \$ 5,890,000 General Obligation Improvement Bonds, Series 2002, \$ 3,380,000 still outstanding.
- 8) The November 2002 \$ 48,400,000 General Obligation Convention Center Bonds, Series 2002A, \$ 22,575,000 still outstanding.
- 9) The June 2003 \$ 68,615,000 General Obligation Various Purpose Bonds, Series 2003, \$ 18,660,000 still outstanding.
- 10) The November 2003 \$ 6,130,000 General Obligation Improvement Bonds, Series 2003, \$ 3,375,000 still outstanding.

The Finance is authorized to transfer cash, budgeted for debt service in 2010 and cash in excess of an Enterprise's cash level policy to reduce the size of the refunding and save additional debt service. The Finance Officer shall report the results and savings on each series to the Council after the completion of the transaction.