



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

Date: October 13, 2009
To: Ways and Means/Budget Committee
Referral to: Board of Estimate & Taxation

Subject: November Refunding of General Obligation Bonds

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, Capital & Debt Mgmt, 673-3496

Approved by: Patrick Born, City Finance Officer _____

Steven Bosacker, City Coordinator _____

Presenters in Committee: Michael Abeln, Director, 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)
- Other financial impact (Explain): Bond refunding for interest savings and locking in low fixed rates to reduce Variable rate interest exposure
- Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)

- Not applicable

Background/Supporting Information Attached

Tax exempt municipal bond interest rates are currently at historically low levels. The City has a series of parking ramp fixed rate bonds callable on 12/1/09 for which interest savings can be realized by issuing current refunding bonds. In addition, the Finance Department also recommends converting certain variable rate bonds to fixed rate bonds to lock in low interest rates on the short end of the yield curve. Details regarding the series/maturities to be refunded follow.

A) General Obligation fixed rate bonds related to the St. Thomas/WMEP Parking Ramp have interest rates above current market conditions and present an opportunity to capture debt service savings through refunding.

The July 1999 \$16,150,000 General Obligation Tax Increment Bonds, Series 1999B, (\$6,125,000 still outstanding and callable) with a call date of December 1, 2009 has maturities and rates as follows:

2010	\$ 550,000	at	4.800%,
2011	\$ 625,000	at	5.000%,
2012	\$ 700,000	at	5.000%,
2013	\$ 150,000	at	5.000%,
2022	\$1,250,000	at	5.125%,
2023	\$1,350,000	at	5.125%,
2024	\$1,500,000	at	5.125%.

B) General Obligation variable rate bond issues with remaining maturities between now and December 1, 2015. The September 2009 winning bid on the City's \$16,800,000 General Obligation refunding with maturities of December 1, 2010 through 2012 was sold at an interest cost of 0.908%. While the current variable rate is 0.34% before remarketing and liquidity fees, this rate changes every Wednesday. For 2009, the estimated overall rate with fees will be around 1%. This is the lowest yearly rate experienced dating back to 1985. The requested action will serve to lock in very low fixed rates on these issues (< 1.5%) and reduce the City's variable rate exposure by approximately 16.5%. Even though the short end yields are low, the yield curve is still steep meaning investors demand more to move out on the curve beyond 2015. The City has three variable rate series with maturities from 2010 through 2015 which we feel would be prudent to lock in fixed rates now to guarantee the low rates. These series all pertain to the Convention Center and/or Convention Center related Parking Ramps and this refunding will lower the variable rate exposure in these funds to acceptable levels.

1) The June 2004, \$19,170,000 General Obligation Convention Center Refunding Bonds, Series 2004A, (\$11,245,000 still outstanding as of December 1, 2009) with maturities as follows:

2010	\$ 2,185,000
2011	\$ 2,085,000
2012	\$ 2,305,000
2013	\$ 2,330,000
2014	\$ 2,340,000

2) The September 2000, \$80,000,000 General Obligation Convention Center Bonds, Series 2000, (\$40,000,000 still outstanding as of December 1, 2009) with maturities as follows:

2015	\$10,000,000
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3) The June 1999, \$88,400,000 General Obligation Convention Center Bonds, Series 1999, (\$37,000,000 still outstanding as of December 1, 2009) with maturities as follows:

2015	\$ 9,250,000
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Recommendation:

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. The Board of Estimate & Taxation would issue these refunding bonds in conjunction with the Improvement (Assessment) Bonds in November. The Finance officer will report the results back to the City Council after completion of the transaction.