

City of Minneapolis

Request for Committee Action

To: Ways & Means
Date: 6/27/2016
Referral: Board of Estimate & Taxation
From: Finance & Property Services
Lead Staff: Michael Abeln
Presented by: Michael Abeln
File Type: Resolution
Subcategory: Bond

Subject:

Authorization for issuance of General Obligation Tax Increment and Various Purpose Refunding bonds

Description:

Passage of Resolution authorizing the Chief Financial Officer to plan for and issue General Obligation Tax Increment Refunding and General Obligation Various Purpose Refunding bonds, adjusting appropriations as necessary to complete the refunding transactions on behalf of the City, and requesting the Board of Estimate & Taxation to approve issuance of General Obligation Various Purpose Refunding Bonds in compliance with applicable Minnesota Statutes.

Previous Actions:

Various Bond Authorizations & Resolutions for previously issued bonds.

Ward/Address:

Not Applicable

Background/Analysis:

Tax-exempt and taxable municipal bond interest rates are currently at historically low levels. The City currently has two series of fixed rate tax increment bonds that became callable on 3/1/2016 and three series of various other bonds that will become callable on 12/1/2016. The attached resolution requests appropriate authority for the Chief Financial Officer to plan for and conduct refunding bond sales and to have the City Council request the Board of Estimate & Taxation to approve issuance of general obligation refunding bonds for the non-tax increment related bond series. All refundings are being proposed for interest savings. Below are details and supporting information for the refunding opportunities:

On 5/2/16, the Finance & Property Services Department used excess TIF collections on hand to prepay a portion of the callable tax increment bonds. For the General Obligation Taxable Block E Refunding Bonds, the City prepaid \$3,975,000 of the longest dated maturities resulting in future interest savings of \$1,815,250. For the General Obligation Tax Increment Bonds (Midtown Exchange), Series 2008, the City prepaid \$1,250,000 of the longest dated maturities resulting in future interest savings of \$816,760. At this time, the two series of tax increment bonds and amounts applicable to a possible current refunding transaction are as follows:

1. General Obligation Taxable Block E Refunding Bonds totaling \$2,500,000 with maturities dated 3/1/2017 to 3/1/2021 at taxable interest rates of 5.125% - 5.30%.

2. General Obligation Tax Increment Bonds (Midtown Exchange), Series 2008 totaling \$995,000 with maturities dated 3/1/2017 to 3/1/2025 at tax-exempt interest rates of 4.00% - 4.80%.

For the three other series of bonds that will become callable on 12/1/2016, the details are as follows:

1. General Obligation Various Purpose Bonds, Series 2009 originally issued in the principal amount of \$85,370,000 on May 15, 2009 with callable maturities from 12/1/2017 to 12/1/2025 totaling \$29,450,000 at a tax-exempt interest rate of 4.00%. The callable bonds were issued for water infrastructure projects and to refund bonds originally issued for the Greyhound/Jefferson Parking Ramp which is now called the Hawthorne Transportation Center.
2. General Obligation Various Purpose Refunding Bonds, Series 2009B originally issued in the principal amount of \$40,295,000 on November 19, 2009 with callable maturities from 12/1/2017 to 12/1/2029 totaling \$4,440,000 at a tax-exempt interest rate of 4.00%. The callable bonds remaining were all issued as part of the 2009 special assessment program for various street projects.
3. General Obligation Tax Increment Refunding Bonds (St. Thomas/WMEP Parking Ramp), Series 2009C originally issued in the principal amount of \$6,125,000 on November 23, 2009 with callable maturities from 12/1/2022 to 12/1/2024 totaling \$4,100,000 at tax-exempt interest rates ranging from 4.00% - 4.25%. These refunding bonds were originally paid for in part by tax increment funds and in part by parking revenue. At this time, the remaining maturities are all funded by parking revenues. These refunding bonds will be issued as General Obligation Various Purpose Refunding bonds in combination with the other two series above. Depending on the cash position of the parking fund this fall, all or a portion of these bonds may be prepaid with cash on hand if practical for efficiency purposes.

The Finance and Property Services Department recommends passage of the attached resolution providing authority to issue the appropriate refunding bonds. After the refunding bonds have been issued, Finance staff will prepare a report summarizing the results of the refunding transactions and the interest savings achieved.

Financial Review:

Additional appropriation required.

Additional appropriations for debt service adjustments will be determined after the refunding transactions are completed.

Future budget impact anticipated.

Refunding bonds to be issued will generate interest expense savings.