

Measure R Bonds

Finance, Budget and Audit Committee
September 19, 2024

Measure R Bonds

Measure R Bonds Summary

Purpose:

- To refund the Measure R Series 2010-A (Taxable Build America Bonds) Bonds in October 2024
 - The Build America Bond ("BAB") program, established in 2009, allowed municipal issuers to issue taxable bonds for new money purposes with the expectation that they would be reimbursed for 35% of annual interest costs
 - When the Series 2010-A Bonds were issued, determination was made that with the 35% subsidy, the BABs provided a lower cost of funds than traditional tax-exempt bonds

Issue:

- The refunding would de-risk the bonds by eliminating the threat of sequestration, as well as adding optionality with an early call option

Sequestration overview:

- BAB subsidy reduced by 8.7% in 2013 and annually since
- Subsidy payments are subject to sequestration at the 5.7% rate through FY2030
- In November 2023, Supreme Court confirmed that Congress has full authority to reduce BAB subsidy payments at any time

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Mode and Structure:

- Refunding Bonds will be sold to investors on a negotiated basis through underwriters selected from the newly established underwriter bench
- Refunding Bonds will be issued at a fixed rate with maturities ranging from 2025-2039

DBE/SBE/DVBE Participation Goals:

- Negotiated sale method allows Metro to advance its DBE/SBE/DVBE firm participation goals
- Of the 25 proposals received for the underwriting pool, 13 were designated as DBE/SBE/DVBE firms

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- In alignment with Metro's desire to maximize DBE/SBE/DVBE firm participation, 50% of the participants chosen for the proposed transaction identify as DBE/SBE/DVBE, including the lead Senior Manager role.

Underwriting Firm	Transaction Role
Siebert Williams Shank & Co., LLC (Minority Business Enterprise and Woman Business Enterprise)	Senior Manager
Jefferies	Co-Senior Manager
Morgan Stanley	Co-Senior Manager
Academy Securities (Disable Veteran Business Enterprise and Minority Business Enterprise)	Co-Manger

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Underwriter Pool Summary

- In alignment with Metro's desire to maximize DBE/SBE/DVBE firm participation, 47% of the participants chosen for the proposed pool identify as DBE/SBE/DVBE.
- DBE/SBE/DVBE firm participation has increased 76% from the previously selected pool which was comprised of 27% of DBE/SBE/DVBE designated firms

Underwriting Firm	DBE/SBE/DVBE Designation
Academy Securities	Disabled Veteran Business Enterprise and Minority Business Enterprise
American Veteran Group	Disabled Veteran Business Enterprise
Bank of America	No Designation
Barclays	No Designation
Blaylock Van	Minority Business Enterprise
Cabrera Capital Markets	Minority Business Enterprise
Goldman Sachs	No Designation
J.P. Morgan Securities	No Designation
Jefferies	No Designation
Loop Capital Markets	Minority Business Enterprise
Mischler Financial Group	Disabled Veteran Business Enterprise
Morgan Stanley	No Designation
Ramirez & Co.	Minority Business Enterprise
Raymond James	No Designation
Siebert Williams Shank & Co., LLC	Minority Business Enterprise and Woman Business Enterprise
TD Securities	No Designation
Wells Fargo Bank	No Designation



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Recommendation:

- A. Adopt a resolution authorizing the negotiated sale of up to \$500 million of Measure R Refunding Bonds
- B. Establish an underwriter pool that will be used to select underwriters for all future negotiated debt issues through June 30, 2029

Next Steps:

- Obtain credit ratings on the Refunding Bonds
- Complete legal documentation and initiate the pre-marketing efforts
- Negotiate the sale of the Refunding Bonds with the underwriters