



## Board Report

File #: 2022-0114, File Type: Resolution

Agenda Number: 16.

### FINANCE, BUDGET AND AUDIT COMMITTEE MAY 18, 2022

**SUBJECT: PROPOSITION C BONDS**

**ACTION: APPROVE RECOMMENDATIONS**

#### **RECOMMENDATION**

ADOPT a Resolution (Attachment A) that authorizes the issuance and sale of up to \$67 million in aggregate principal amount of the Proposition C Sales Tax Revenue Refunding Bonds in one or more series, and the taking all other actions necessary in connection with the issuance of the refunding bonds.

**(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE)**

#### **ISSUE**

Metro may lower its debt service costs by refunding, on a current basis, the outstanding Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2012-A and Series 2012-B (the “2012-A&B Bonds”). Approximately \$54.57 million of the outstanding 2012-A&B Bonds are eligible for refunding. Under current market conditions, the issuance of the Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds (the “Refunding Bonds”) could achieve approximately \$2.6 million in net present value savings over the six (6) plus year life of the bonds.

#### **BACKGROUND**

The 2012-A&B Bonds may be current refunded in mid May 2022 as their call date is July 1, 2022. The Debt Policy establishes criteria to evaluate refunding opportunities. The refunding of the 2012-A&B Bonds is currently estimated to provide net present value savings in excess of the minimum 3% of the refunded par amount set forth in the Debt Policy criteria for evaluating refunding opportunities.

#### **DISCUSSION**

The Refunding Bonds will be structured as fixed rate bonds and will be sold using a negotiated sale method. If market conditions change suddenly, a negotiated sale provides Metro the flexibility to alter the sale date and/or bond structure, as needed. A negotiated sale method also allows Metro to advance its DBE/SBE/DVBE firm participation goals. The underwriters will pre-market the issue to target as many investors as possible, assist with the credit rating process and advise on market

conditions for optimal bond pricing.

Consistent with the Metro Debt Policy, underwriters for this transaction will be selected by a competitive Request for Proposal (“RFP”) process conducted by Public Resources Advisory Group (“PRAG”), Metro’s Transaction Municipal Advisor. Hawkins Delafield & Wood LLP and Kutak Rock LLP were selected by Treasury staff and County Counsel to serve as Bond Counsel and Disclosure Counsel, respectively.

### **DETERMINATION OF SAFETY IMPACT**

Approval of this item will not impact the safety of Metro’s patrons or employees.

### **FINANCIAL IMPACT**

The costs of issuance for the Refunding Bonds will be paid from proceeds of the financing and will be budget neutral. Savings from the Refunding Bonds will be reflected in future budgets under principal account 51101 and the bond interest account 51121.

### **EQUITY PLATFORM**

Approval of this item is intended to reduce financial risk and maintain planned funding and schedules for Metro capital projects funded by Proposition C. At this time, there are no equity concerns anticipated as a result of this action.

### **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Recommendation supports the following Metro Strategic Plan Goal:

Goal #5: Provide responsive, accountable, and trustworthy governance within the Metro organization.

### **ALTERNATIVES CONSIDERED**

The Board could defer the issuance of the Refunding Bonds to a later time or indefinitely. This is not recommended because we cannot predict that interest rates will remain low enough to generate comparable benefit. Federal Reserve Bank actions and all other market and economic conditions may push interest rates higher and result in a loss of refunding savings.

### **NEXT STEPS**

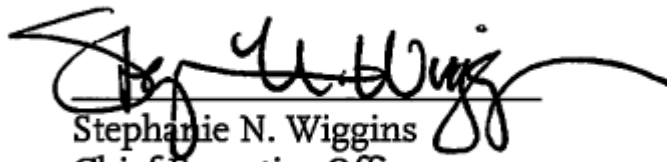
- Obtain ratings on the Refunding Bonds
- Complete legal documentation and distribute the preliminary official statement to potential investors, initiate the pre-marketing effort
- Negotiate the sale of the Bonds with the underwriters

### **ATTACHMENTS**

Attachment A - Authorizing Resolution

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