

**Board Report**

File #: 2023-0004, **File Type:** Resolution**Agenda Number:** 13.

**FINANCE, BUDGET & AUDIT COMMITTEE
MARCH 15, 2023****SUBJECT: PROPOSITION C BONDS****ACTION: APPROVE RECOMMENDATION****RECOMMENDATION**

ADOPT a Resolution (Attachment A) that authorizes the issuance and sale of up to \$330 million in aggregate principal amount of the Proposition C Sales Tax Revenue Refunding Bonds in one or more series, and the taking of 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 Bonds, Senior Bonds, Series 2013-B, the Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2013-C, and the Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds, Series 2014-A (the "Refunded Bonds"). Approximately \$313.6 million of the outstanding Refunded 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 \$42.68 million in net present value savings over the fifteen (15) plus year life of the bonds.

BACKGROUND

The Refunded Bonds may be refunded in April 2023 as their call date is July 1, 2023. The Debt Policy establishes criteria to evaluate refunding opportunities. The refunding of the Refunded 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 Montague DeRose and Associates (“MDA”), Metro’s Transaction Municipal Advisor. Nixon Peabody 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 the 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

The 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 benefits. 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

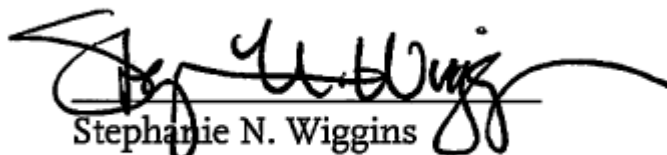
- Obtain ratings on the Refunding Bonds
- Complete legal documentation and distribute the preliminary official statement to potential investors, initiate the pre-marketing effort
- Negotiate the sale of the Bonds with the underwriters

ATTACHMENTS

Attachment A - Authorizing Resolution

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