



Board Report

File #: 2017-0840, File Type: Resolution

Agenda Number: 12.

FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 14, 2018

SUBJECT: PROPOSITION C BONDS

ACTION: AUTHORIZE COMPETITIVE SALE OF BONDS

RECOMMENDATION

ADOPT a resolution, Attachment A, that:

- A. AUTHORIZES the issuance of bonds by competitive sale to refund the Proposition C Series 2008-A Bonds, consistent with the Debt Policy;
- B. APPROVES the forms of Notice of Intention to Sell Bonds, Notice Inviting Bids, Supplemental Trust Agreement, Continuing Disclosure Agreement, Escrow Agreement, and Preliminary Official Statement on file with the Board Secretary as set forth in the resolution all as subject to modification as set forth in the resolution; and
- C. AUTHORIZES taking all action necessary to achieve the foregoing, including, without limitation, the further development and execution of bond documentation associated with the issuance of the refunding bonds.

(REQUIRES SEPARATE, SIMPLE MAJORITY BOARD VOTE)

ISSUE

Low interest rates offer an opportunity for Metro to lower its debt service costs by refunding on a current basis the outstanding Proposition C Sales Tax Revenue Refunding Bonds Second Senior Bonds, Series 2008-A (the "2008-A Bonds"). Approximately \$69 million of the outstanding 2008-A Bonds can be refunded. Under current market conditions, the issuance of the Proposition C Sales Tax Revenue Refunding Bonds (the "Refunding Bonds") would achieve approximately \$7.0 million in net present value savings over the four year life of the bonds.

DISCUSSION

IRS tax code regulates tax-exempt debt issuance. Tax-reform legislation enacted by Congress repeals tax-exempt advance refunding bonds effective January 1, 2018. An advance refunding is a refunding that closes more than 90 days prior to the date when the outstanding bonds are called for

redemption.

The 2008-A Bonds may be refunded on a current refunding basis in early April, 2018 as their call date is July 1, 2018. The Debt Policy establishes criteria to evaluate refunding opportunities. The refunding of the 2008-A 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.

The Refunding Bonds will be sold as fixed rate bonds. The Refunding Bonds will be sold using a competitive process where prospective underwriters bid to purchase the Refunding Bonds on the date of sale. The Refunding Bonds will be sold to the underwriter offering the lowest true interest cost. The timing of the bond sale is contingent upon our ability to take advantage of favorable market conditions as they arise. In the event that bids do not meet our criteria, all bids will be rejected and the sale will be rescheduled.

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.

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 where interest rates will be in the following three to six months. Federal Reserve Bank actions, political and other market and economic conditions may push interest rates higher and may result in a loss of refunding savings.

NEXT STEPS

- Develop bond issuance documentation
- Obtain ratings
- Distribute the Preliminary Official Statement and Notice Inviting Bids to prospective underwriters and potential investors and publish the Notice of Intention to Sell Bonds
- Receive electronic bids from underwriters
- Finalize bond documentation and deliver the Refunding Bonds

ATTACHMENTS

Attachment A - Authorizing Resolution

Prepared by:

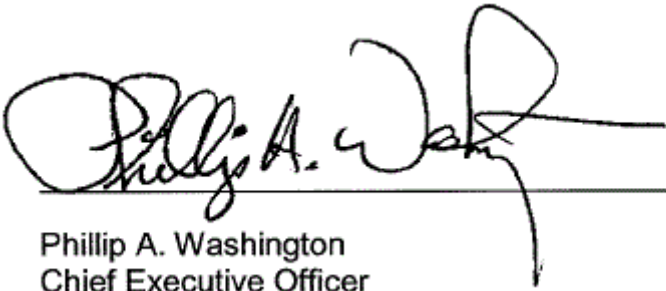
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