



## Board Report

File #: 2018-0596, File Type: Resolution

Agenda Number: 11.

### FINANCE, BUDGET AND AUDIT COMMITTEE FEBRUARY 20, 2019

**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 2009-E Bonds, consistent with the Debt Policy to achieve approximately \$8.9 million in net present value savings over the ten-year life of the bonds;
- B. APPROVES the forms of Notice of Intention to Sell Bonds, Notice Inviting Bids, Supplemental Trust Agreement, Escrow Agreement, Continuing Disclosure Certificate 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, Senior Bonds, Series 2009-E (the "2009-E Bonds"). Approximately \$72.585 million of the outstanding 2009-E Bonds can be refunded. Under current market conditions, the issuance of the Proposition C Sales Tax Revenue Refunding Bonds, Senior Bonds (the "Refunding Bonds") would achieve approximately \$8.9 million in net present value savings over the ten year life of the bonds.

#### **BACKGROUND**

The 2009-E Bonds may be current refunded in early April, 2019 as their call date is July 1, 2019. The Debt Policy establishes criteria to evaluate refunding opportunities. The refunding of the 2009-E 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 sold as fixed rate bonds. The Refunding Bonds will be issued using a competitive process where prospective underwriters bid 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.

## **DETERMINATION OF SAFETY IMPACT**

Approval of this report 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.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

Recommendation supports the following Metro Strategic Plan Goal(s):

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 political and other market and economic conditions may push interest rates higher and result in a loss of refunding savings.

## **NEXT STEPS**

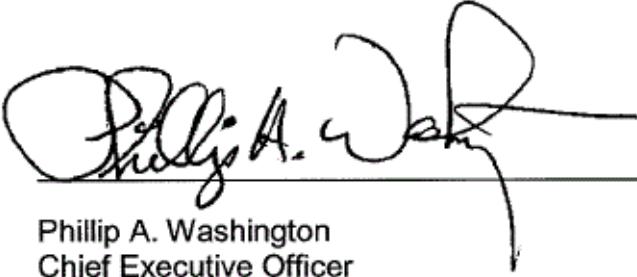
- Develop bond issuance documentation
- Obtain ratings
- Distribute the Preliminary Official Statement and Notice Inviting Bids to prospective underwriters and potential investors and publish the Notice of Intention to Sell Bonds
- Receive electronic bids from underwriters
- Finalize bond documentation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

## **ATTACHMENTS**

Attachment A - Authorizing Resolution

Prepared by: LuAnne Edwards Schurtz, Deputy Executive Officer, Finance (213) 922-2554  
Donna Mills, Treasurer (213) 922-4047

Reviewed by: Nalini Ahuja, Chief Financial Officer (213) 922-3088



---

Phillip A. Washington  
Chief Executive Officer