

City of East Bethel
City Council Agenda
Special Meeting - 6:30 PM
Date: June 24, 2013



Item

- | | | |
|---------|------------|---|
| 6:30 PM | 1.0 | Call to Order |
| 6:31 PM | 2.0 | Adopt Agenda |
| 6:32 PM | 3.0 | G.O. Refinancing Bond Parameter Resolution |
| 8:00 PM | 4.0 | Adjourn |



City of East Bethel City Council Agenda Information

Date:

June 24, 2013

Agenda Item Number:

Item 3.0

Agenda Item:

Bond Parameter Resolution

Requested Action:

Consider approving Bond Parameter Resolution 2013-33

Background Information:

The East Bethel City Council rejected the bids for the 2010 A & B G.O. Bond Refinancing at the June 19, 2013 City Council Meeting. The bids were rejected due to a negative savings that would be produced as a result of approval of the sale to the low bidder for the refinancing issuance.

Todd Hagen with Ehlers spoke to the Council and recommended meeting with the low bidder, Mesirow Financial, to determine if a better rate could be negotiated. If this is the preference of Council and if a change in rates can be achieved, a Bonding Parameters Resolution would need to be approved to expedite the process of locking in a pre-approved rate/savings.

As seen from the time sensitive nature of bond rates over the last five weeks, the immediate authorization of a negotiated rate is essential to secure the ability to guarantee the agreement. The Bond Parameter resolution would provide this flexibility. The resolution would authorize the Mayor and the City Administrator to approve the sale of bonds and to execute a bond purchase agreement for the sale in an aggregate principal amount of \$_____ (to be determined and approved by City Council), provided the true interest cost does not exceed_____ (to be determined and approved by City Council), the savings produced in the years 2014 through 2018 averages_____ (to be determined and approved by City Council) and the overall savings exceeds_____ (to be determined and approved by City Council).

Upon approval of the sale of bonds by the Mayor and the City Administrator, the City Council would take action at its next regularly scheduled meeting to adopt the necessary approving resolutions as prepared by the City's Bond Counsel. Should the bond purchasing agreement fail to be executed, the Bond Parameter Resolution would expire on _____ (to be determined and approved by City Council).

The enactment of this resolution would be based on City Council's pre-approval of the parameters of an acceptable savings proposal and allow the agreement to be implemented in the time frame necessary to lock in the rates necessary to achieve the terms defined by Council.

Stacy Kvivlang will be in attendance to present scenarios and options for consideration for the terms of the Bond Parameter Resolution and an update on the potential for negotiating a reduction in the bid rates.

Attachments

Resolution 2013-37, Bonding Parameter Resolution

Debt Service Comparison, June 19, 2013

Debt Service Comparison, June 17, 2013

Debt Service Comparison, May 15, 2013

List of Bidders

Fiscal Impact:

There is no crystal ball and no way of knowing with any certainty what bond rates will do or be in the short and near term. We, in no way, would be interested in negative savings on a refinancing but we must closely examine the impact of short term savings that may be available if an acceptable refinancing plan can be negotiated.

Recommendation(s):

Staff recommends approval of Resolution 2013-37 upon Council concurrence of the terms of the amount of the sale, average and total savings of the sale and the true interest cost of the issuance.

City Council Action

Motion by:_____

Second by:_____

Vote Yes:_____

Vote No:_____

No Action Required:_____

**CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA**

RESOLUTION NO. 2013-xx

RESOLUTION AUTHORIZING ISSUANCE AND SALE
OF GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2013A

BE IT RESOLVED by the City Council of the City of East Bethel, Minnesota (the "City"), as follows:

SECTION 1. PURPOSE. This Council has heretofore determined that it is in the best interests of the City to issue its General Obligation Refunding Bonds, Series 2013A (the "Bonds") in the principal amount of approximately \$18,500,000, pursuant to Minnesota Statutes, Sections 444.075 and 115.46 and Chapter 475, to provide funds to be used, together with funds on hand as may be required, to refund in a current refunding the City's (a) \$11,465,000 Taxable General Obligation Water Utility Revenue Bonds, Series 2010A (Recovery Zone Economic Development Bonds), dated as originally issued, as of December 15, 2010, maturing in the years 2020 through 2040 and outstanding in the principal amount of \$11,465,000 (the "Series 2010A Refunded Bonds") and (b) \$6,100,000 Taxable General Obligation Utility Revenue Bonds, Series 2010B (Build America Bonds - Direct Pay), dated as originally issued, as of December 15, 2010, maturing in the years 2016 through 2040 and outstanding in the principal amount of \$6,335,000 (the "Series 2010B Refunded Bonds," and together with the Series 2010A Refunded Bonds, the "Refunded Bonds"), pursuant to the extraordinary redemption provisions contained in Section 2.04 of each respective resolution authorizing the issuance of the Refunded Bonds. Bids for the purchase of the Bonds were received and rejected by the Council, but the Council desires to continue to pursue the refunding.

SECTION 2. SALE. Ehlers & Associates, Inc. ("Ehlers") is hereby authorized, pursuant to Minnesota Statutes, Section 475.60, Subdivision 2, paragraph (9), to solicit proposals for the Bonds on behalf of the City on a negotiated basis without requirement of published notice. The Mayor and the City Administrator are hereby authorized to approve the sale of the Bonds and to execute a bond purchase agreement for the sale of the Bonds in an aggregate principal amount of not to exceed \$_____, provided the true interest cost does not exceed _____% the savings produced in the years 2014 through 2018 averages approximately \$_____ and the total savings of the issuance is at least \$_____. Upon approval of the sale of the Bonds by the Mayor and the City Administrator, the City Council will take action at its next regularly scheduled meeting thereafter to adopt the necessary approving resolutions as prepared by the City's bond counsel. The terms of the Bonds shall be as provided in the Official Statement related to the sale of the Bonds as heretofore prepared by Ehlers. If the Mayor and the City Administrator have not approved the sale of the bonds and executed the related bond purchase agreement by August _____, 2013, this resolution shall expire.

Adopted this 24th day of June, 2013 by the City Council of the City of East Bethel.

Richard Lawrence, Mayor

ATTEST:

Jack Davis, City Administrator

Ehlers Bond Sale Summary

East Bethel | City of | MN

\$18,275,000 General Obligation Refunding Bonds, Series 2013A

Sale Date/Time: 6/19/2013 11:00

Mesirow Financial [Chicago, IL]

Purchase Price: **18,545,631.90** TIC: **4.0481%** NIC: **\$13,373,280.60**

<u>Maturity Date</u>	<u>Maturity Amount</u>	<u>Coupon</u>
02-01-2019	290,000.00	5.000%
02-01-2020	500,000.00	5.000%
02-01-2021	450,000.00	5.000%
02-01-2022	505,000.00	5.000%
02-01-2023	485,000.00	5.000%
02-01-2024	540,000.00	5.000%
02-01-2025	575,000.00	5.000%
02-01-2026	640,000.00	5.000%
02-01-2027	705,000.00	5.000%
02-01-2028	780,000.00	4.000%
02-01-2029	855,000.00	4.000%
02-01-2030	950,000.00	4.000%
02-01-2031	1,055,000.00	4.000%
02-01-2032	1,145,000.00	4.000%
02-01-2033	1,145,000.00	4.000%
02-01-2034	1,155,000.00	4.000%
02-01-2035	1,155,000.00	4.000%
02-01-2036	1,075,000.00	4.000%
02-01-2037	1,075,000.00	4.000%
02-01-2038	1,065,000.00	4.000%
02-01-2039	1,070,000.00	4.000%
02-01-2040	1,060,000.00	4.000%

Piper Jaffray & Co. [Minneapolis, MN]

TIC: **4.1392%**

BMO Capital Markets GKST Inc. [Chicago, IL]

TIC: **4.1678%**

UBS Financial Services Inc. [New York, NY]

TIC: **4.1837%**

Baird [Milwaukee, WI]

TIC: **4.2792%**

Hutchinson, Shockey, Erley & Co. [Chicago, IL]

TIC: **4.3356%**

City of East Bethel, Minnesota

\$17,620,000 General Obligation Refunding Bonds, Series 2013A

Current Ref 2010A (Recovery Zone Bds) & 2010B (BABs)

Issue Summary

Debt Service Comparison (JUNE 19, 2013)

Date	Total P+I	Net New D/S	Old Net D/S	Savings
02/01/2014	399,777.08	395,853.28	333,327.76	(62,525.52)
02/01/2015	738,050.00	738,050.00	666,655.52	(71,394.48)
02/01/2016	738,050.00	738,050.00	756,655.52	18,605.52
02/01/2017	738,050.00	738,050.00	784,842.02	46,792.02
02/01/2018	738,050.00	738,050.00	872,112.02	134,062.02
02/01/2019	948,050.00	948,050.00	876,925.02	(71,124.98)
02/01/2020	1,042,550.00	1,042,550.00	985,847.52	(56,702.48)
02/01/2021	986,800.00	986,800.00	931,566.28	(55,233.72)
02/01/2022	1,023,050.00	1,023,050.00	978,270.78	(44,779.22)
02/01/2023	1,001,800.00	1,001,800.00	951,664.78	(50,135.22)
02/01/2024	1,045,800.00	1,045,800.00	995,436.78	(50,363.22)
02/01/2025	1,076,800.00	1,076,800.00	1,022,486.78	(54,313.22)
02/01/2026	1,125,300.00	1,125,300.00	1,073,248.78	(52,051.22)
02/01/2027	1,170,300.00	1,170,300.00	1,124,333.76	(45,966.24)
02/01/2028	1,236,800.00	1,236,800.00	1,182,851.28	(53,948.72)
02/01/2029	1,290,200.00	1,290,200.00	1,238,443.76	(51,756.24)
02/01/2030	1,360,400.00	1,360,400.00	1,306,078.76	(54,321.24)
02/01/2031	1,456,600.00	1,456,600.00	1,395,220.02	(61,379.98)
02/01/2032	1,517,600.00	1,517,600.00	1,473,651.88	(43,948.12)
02/01/2033	1,519,600.00	1,519,600.00	1,472,679.38	(46,920.62)
02/01/2034	1,524,800.00	1,524,800.00	1,475,120.64	(49,679.36)
02/01/2035	1,528,000.00	1,528,000.00	1,475,756.26	(52,243.74)
02/01/2036	1,454,200.00	1,454,200.00	1,394,620.00	(59,580.00)
02/01/2037	1,456,400.00	1,456,400.00	1,393,577.50	(62,822.50)
02/01/2038	1,456,600.00	1,456,600.00	1,390,697.50	(65,902.50)
02/01/2039	1,454,800.00	1,454,800.00	1,395,980.00	(58,820.00)
02/01/2040	1,456,000.00	1,456,000.00	1,394,005.00	(61,995.00)
Total	\$31,484,427.08	\$31,480,503.28	\$30,342,055.30	(1,138,447.98)

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	5,627,189.51
Effects of changes in Expenses.....	(6,252,928.32)
Net PV Cashflow Savings @ 3.998%(Bond Yield).....	(625,738.81)
Contingency or Rounding Amount.....	3,923.80
Net Present Value Loss	\$(621,815.01)
Net PV Loss / \$23,526,397.05 PV Refunded Debt Service	(2.643%)
Net PV Loss / \$17,565,000 Refunded Principal...	(3.540%)
Net PV Loss / \$17,620,000 Refunding Principal..	(3.529%)

Refunding Bond Information

Refunding Dated Date	7/16/2013
Refunding Delivery Date	7/16/2013



City of East Bethel, Minnesota

\$18,275,000 G.O. Water Utility Refunding Bonds, Dated: July 1, 2013

Proposed Current Ref 2010A (Recovery Zone Bds) & 2010B (BABs)

Assumes Current Market Non BQ Aa3 Rates

Debt Service Comparison (MAY 15, 2013)

Date	Total P+I	Net New D/S	Old Net D/S	Savings
02/01/2014	282,127.71	281,567.29	666,655.52	385,088.23
02/01/2015	483,647.50	483,647.50	666,655.52	183,008.02
02/01/2016	483,647.50	483,647.50	756,655.52	273,008.02
02/01/2017	483,647.50	483,647.50	784,842.02	301,194.52
02/01/2018	483,647.50	483,647.50	872,112.02	388,464.52
02/01/2019	773,647.50	773,647.50	876,925.02	103,277.52
02/01/2020	980,747.50	980,747.50	985,847.52	5,100.02
02/01/2021	924,497.50	924,497.50	931,566.28	7,068.78
02/01/2022	972,972.50	972,972.50	978,270.78	5,298.28
02/01/2023	944,640.00	944,640.00	951,664.78	7,024.78
02/01/2024	990,910.00	990,910.00	995,436.78	4,526.78
02/01/2025	1,015,110.00	1,015,110.00	1,022,486.78	7,376.78
02/01/2026	1,067,460.00	1,067,460.00	1,073,248.78	5,788.78
02/01/2027	1,117,420.00	1,117,420.00	1,124,333.76	6,913.76
02/01/2028	1,175,147.50	1,175,147.50	1,182,851.28	7,703.78
02/01/2029	1,230,257.50	1,230,257.50	1,238,443.76	8,186.26
02/01/2030	1,302,600.00	1,302,600.00	1,306,078.76	3,478.76
02/01/2031	1,381,950.00	1,381,950.00	1,395,220.02	13,270.02
02/01/2032	1,442,937.50	1,442,937.50	1,473,651.88	30,714.38
02/01/2033	1,410,877.50	1,410,877.50	1,472,679.38	61,801.88
02/01/2034	1,388,245.00	1,388,245.00	1,475,120.64	86,875.64
02/01/2035	1,354,750.00	1,354,750.00	1,475,756.26	121,006.26
02/01/2036	1,240,677.50	1,240,677.50	1,394,620.00	153,942.50
02/01/2037	1,208,427.50	1,208,427.50	1,393,577.50	185,150.00
02/01/2038	1,165,640.00	1,165,640.00	1,390,697.50	225,057.50
02/01/2039	1,137,625.00	1,137,625.00	1,395,980.00	258,355.00
02/01/2040	1,093,920.00	1,093,920.00	1,394,005.00	300,085.00
Total	\$27,537,177.71	\$27,536,617.29	\$30,675,383.06	\$3,138,765.77

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PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	7,530,993.78
Effects of changes in Credit Enhancement Expenses.....	(5,670,961.76)
Net PV Cashflow Savings @ 5.600%(Bond Yield)....	1,860,032.02
Contingency or Rounding Amount.....	560.42
Net Present Value Benefit	\$1,860,592.44
Net PV Benefit / \$20,135,032.02 PV Refunded Debt Service	9.241%
Net PV Benefit / \$17,565,000 Refunded Principal...	10.593%
Net PV Benefit / \$18,275,000 Refunding Principal..	10.181%

Refunding Bond Information

Refunding Dated Date	7/01/2013
Refunding Delivery Date	7/01/2013

City of East Bethel, Minnesota

JUNE 17, 2013

\$18,275,000 G.O. Water Utility Refunding Bonds, Dated: July 1, 2013

Proposed Current Ref 2010A (Recovery Zone Bds) & 2010B (BABs)

Assumes Current Market Non BQ Aa3 Rates

Debt Service Comparison (JUNE 17, 2013)

Date	Total P+I	Net New D/S	Old Net D/S	Savings
02/01/2014	344,231.07	343,670.65	666,655.52	322,984.87
02/01/2015	590,110.40	590,110.40	666,655.52	76,545.12
02/01/2016	590,110.40	590,110.40	756,655.52	166,545.12
02/01/2017	590,110.40	590,110.40	784,842.02	194,731.62
02/01/2018	590,110.40	590,110.40	872,112.02	282,001.62
02/01/2019	850,110.40	850,110.40	876,925.02	26,814.62
02/01/2020	980,810.00	980,810.00	985,847.52	5,037.52
02/01/2021	938,502.50	938,502.50	931,566.28	(6,936.22)
02/01/2022	985,762.50	985,762.50	978,270.78	(7,491.72)
02/01/2023	956,010.00	956,010.00	951,664.78	(4,345.22)
02/01/2024	1,001,135.00	1,001,135.00	995,436.78	(5,698.22)
02/01/2025	1,024,435.00	1,024,435.00	1,022,486.78	(1,948.22)
02/01/2026	1,076,097.50	1,076,097.50	1,073,248.78	(2,848.72)
02/01/2027	1,120,422.50	1,120,422.50	1,124,333.76	3,911.26
02/01/2028	1,187,427.50	1,187,427.50	1,182,851.28	(4,576.22)
02/01/2029	1,241,230.00	1,241,230.00	1,238,443.76	(2,786.24)
02/01/2030	1,326,975.00	1,326,975.00	1,306,078.76	(20,896.24)
02/01/2031	1,408,815.00	1,408,815.00	1,395,220.02	(13,594.98)
02/01/2032	1,486,640.00	1,486,640.00	1,473,651.88	(12,988.12)
02/01/2033	1,495,340.00	1,495,340.00	1,472,679.38	(22,660.62)
02/01/2034	1,476,982.50	1,476,982.50	1,475,120.64	(1,861.86)
02/01/2035	1,477,372.50	1,477,372.50	1,475,756.26	(1,616.24)
02/01/2036	1,410,800.00	1,410,800.00	1,394,620.00	(16,180.00)
02/01/2037	1,434,500.00	1,434,500.00	1,393,577.50	(40,922.50)
02/01/2038	1,430,302.50	1,430,302.50	1,390,697.50	(39,605.00)
02/01/2039	1,444,042.50	1,444,042.50	1,395,980.00	(48,062.50)
02/01/2040	1,399,950.00	1,399,950.00	1,394,005.00	(5,945.00)
Total	\$29,858,335.57	\$29,857,775.15	\$30,675,383.06	\$817,607.91

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PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	7,734,808.26
Effects of changes in Expenses.....	(6,869,446.87)
Net PV Cashflow Savings @ 3.336%(Bond Yield)....	865,361.40
Contingency or Rounding Amount.....	560.42
Net Present Value Benefit	\$865,921.82
Net PV Benefit / \$26,009,808.26 PV Refunded Debt Service	3.329%
Net PV Benefit / \$17,565,000 Refunded Principal...	4.930%
Net PV Benefit / \$18,275,000 Refunding Principal..	4.738%

Refunding Bond Information

Refunding Dated Date	7/01/2013
Refunding Delivery Date	7/01/2013