

# SAINT PAUL PORT AUTHORITY

## MEMORANDUM

**TO:** BOARD OF COMMISSIONERS **DATE:** Nov. 20, 2012

**FROM:** Laurie J. Hansen 

**SUBJECT:** APPROVAL OF ISSUANCE OF APPROXIMATELY \$17.5 MILLION G.O. BONDS

**Action Requested:** Approval of issuance of approximately \$17.5 million of General Obligation Bonds.

### **Background:**

The Series 2003-8 Bonds in the original principal amount of \$14,535,000 have an average coupon of 3.94%. These bonds are callable on March 1, 2014. The advance refunding of bonds would have an average coupon of approximately 1.95% based on current interest rates.

The preliminary Truth in Taxation levy request as passed at the August Board meeting included a \$500,000 increase in the General Obligation bond levy. In 2011, the City requested the Port Authority assist the City with their budget issues as a result of the reduction in State aid. The Port Authority Board agreed to this request with the understanding we would be able to pursue bonding funds for development activity in 2012.

### **Current Status:**

**Refunding Bonds:** Due to the current rate environment, our Series 2003-8 bonds can be advance refunded on February 1, 2013 and achieve a net present value benefit of approximately 7%. Actual savings will be determined at the time of the bond issue. This refunding bond issue will be approximately \$9 million.

**New Bonds:** The \$500,000 levy at current interest rates should generate approximately \$8.5 million in bond proceeds for development activity. We are proposing a combined bond issue of approximately \$17.5 million to accomplish both the refunding of the 2003-8 bonds (approximately \$9 million ) and new bond issue for development (approximately \$8.5 million). Combining the issues will allow us to:

1. Attract more investor interest due to the larger bond issue size and hopefully more attractive interest rates.
2. Save on cost of issuance with only one bond issue
3. Save on rating agency fees by coordinating the timing of this issue with the City's December, 2012 G.O. bond. Issues.

The new bond proceeds will be used to fund the costs of acquisition, remediation and/or improvement of properties identified by the Port authority as appropriate for redevelopment.

The bond issue size will be limited by the amount that can be repaid with the \$500,000 levy. A pricing committee will be established consisting of the City Treasurer and Deputy Director of the Office of Financial Services (or their designees), a representative of the Port Authority, and a representative of the financial advisor firm. The pricing committee will establish the principal amount of the bonds, the interest rate, and maturity.

**The bonds will be backed by the full faith, credit and resources of the City of Saint Paul.**

**Recommendation:**

We recommend approval of the issuance of approximately \$17.5 million of General Obligation Bonds.

LJH:ca