

SAINT PAUL PORT AUTHORITY

MEMORANDUM

TO: BOARD OF COMMISSIONERS
(Regular Meeting of December 15, 2015) **DATE:** Dec. 10, 2015

FROM: Laurie J. Hansen 

SUBJECT: ISSUANCE OF APPROXIMATELY \$3,120,000 SERIES 2016-1 BONDS
RESOLUTION NO. 4563

Action Requested: Approval of the issuance of Series 2016-1 bonds to refund the Series 2006-2 Great Northern North TIF Revenue Bonds.

Public Purpose:

The refunding will result in interest savings to the TIF District.

Business Subsidy:

N/A

Background:

The Series 2006-2 bonds are callable on March 1, 2016. These bonds have an average coupon of 6.0%. Therefore, they can be refunded with significant interest savings.

We investigated several refunding options and found the most cost effective to be a private placement with Anchor Bank.

Current Status:

The refunding bonds would be placed with Anchor Bank on or before March 1, 2016. The interest rate will be a fixed rate for the term of the loan. The rate will float until we enter into a rate lock. Currently the rate is estimated at 3.12%. We plan to lock the rate on or about January 2 for a fee of 20 basis points (\$6,240). This will allow us to fix the interest rate and fund the loan on the call date thereby eliminating negative arbitrage.

The bonds would have a 10-year term with final maturity on February 1, 2026. This is four years sooner than the current bonds.

In order to obtain the fixed rate of 3.12%, we will need to continue to pledge the discretionary levy at \$100,000 per year. This levy has been pledged to this TIF District since inception. We will ask the City of Saint Paul to amend the existing Joint Powers Agreement to continue the discretionary levy pledge to the refunding bonds.

The bank loan does not require a debt services reserve so the principal amount outstanding can be reduced by the reserve balance of \$372,800.

The net present value of the interest savings is approximately \$541,800 or 15.75%.

Proposal:

Type of Notes:	The tax-exempt loan will be "bank qualified" under Section 265 of the Code. This will allow the bank to hold the note without a reduction in the effective yield which would otherwise impact a "non-bank qualified" tax-exempt holding.
Rate:	Approximately 3.12% fixed for the term.
Security:	Pledge of Great Northern North TIF receipts and discretionary levy of \$100,000 per year.
Maturity:	February 1, 2026
Prepayment Penalty:	3% year one, 2% year two, 1% thereafter. Penalty only applies if refinanced with another lender. Principal paydown from TIF, not subject to penalty.
Issuer:	Saint Paul Port Authority
Lender:	Anchor Bank
Lender's Counsel:	Winthrop and Weinstine
Bond Counsel:	Stinson, Leonard, Street
Underwriter:	Robert W. Baird
Financial Advisor:	Ehlers

Disclosure:

The Port Authority Commissioners by SEC rules are obligated to disclose any risks or facts you may be aware of that would affect the probability of repayment of this note.

Recommendation:

We recommend approval of the issuance of approximately \$3,120,000 of tax-exempt TIF Revenue loan payable.

LJH:ca

Attach.