

# REPORT / RECOMMENDATION



**To:** Members of the Edina Housing and  
Redevelopment Authority

**Agenda Item #:** V

**From:** Eric Roggeman, Finance Director

**Action**

**Discussion**

**Date:** May 19, 2015

**Information**

**Subject:** Resolution No. 2015-02 Providing For The Sale Of Bonds, Series 2015

**Action Requested:**

Adopt Resolution No. 2015-02 Providing for the Sale of \$3,655,000 Public Project Revenue Refunding Bonds, Series 2015

**Information / Background:**

The \$3,655,000 Public Project Revenue Refunding Bonds, Series 2015 are for a current refunding of the remaining maturities of the \$5,425,000 Public Project Revenue Bonds, Series 2005. The Series 2005 Bonds were originally issued to finance the construction of two gymnasiums. Debt service is paid from annually appropriated funds derived from a tax levy. The refunding is expected to produce debt service savings over the next 11 years.

The results of the bond sale will be presented to the City Council at the June 16 Council meeting by the City's Financial Advisors; Ehlers Inc.

**ATTACHMENT:**

Resolution 2015-02

Pre-Sale Report for \$3,655,000 Public Project Revenue Refunding Bonds, Series 2015

**Resolution No. 2015-02  
Resolution Providing for the Sale of  
\$3,655,000 Public Project Revenue Refunding Bonds, Series 2015**

- A. WHEREAS, the Board of Commissioners of the Edina Housing and Redevelopment Authority, Minnesota has heretofore determined that it is necessary and expedient to issue the Authority's \$3,655,000 Public Project Revenue Refunding Bonds, Series 2015 (the "Bonds"), to finance a current refunding of the outstanding maturities of the Authority's \$5,425,000 Public Project Revenue Bonds, Series 2005; and
- B. WHEREAS, the Authority has retained Ehlers & Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent financial advisor for the Bonds in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9);

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Edina Housing and Redevelopment Authority, Minnesota, as follows:

- 1. Authorization; Findings. The Board of Commissioners hereby authorizes Ehlers to assist the Authority for the sale of the Bonds.
- 2. Meeting; Proposal Opening. The Board of Commissioners shall meet at 7:00 p.m. on June 16, 2015, for the purpose of considering proposals for and awarding the sale of the Bonds.
- 3. Official Statement. In connection with said sale, the officers or employees of the Authority are hereby authorized to cooperate with Ehlers and participate in the preparation of an official statement for the Bonds and to execute and deliver it on behalf of the Authority upon its completion.

Approved this 19th day of May, 2015.

Attest: \_\_\_\_\_  
Ann Swenson, Secretary
James B. Hovland, Chair

STATE OF MINNESOTA        )  
COUNTY OF HENNEPIN     ) SS  
CITY OF EDINA             )

**CERTIFICATE OF CITY CLERK**

I, the undersigned, being the duly qualified and acting Executive Director of the Edina Housing and Redevelopment Authority do hereby certify that the attached and foregoing Resolution was duly adopted by the Edina Housing and Redevelopments at its Regular Meeting of May 19, 2015 and as recorded in the minutes of said regular meeting.

WITNESS my hand officially as said Secretary this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_  
Scott H. Neal, Executive Director

May 19, 2015

## Pre-Sale Report for

Edina Housing and Redevelopment Authority,  
Minnesota

\$3,655,000 Public Project Revenue Refunding Bonds,  
Series 2015



**Prepared by:**

Mark Ruff  
Senior Municipal Advisor

And

Nick Anhut  
Municipal Advisor

## Executive Summary of Proposed Debt

Proposed Issue:	\$3,655,000 Public Project Revenue Refunding Bonds, Series 2015 (the “Bonds”)
Purposes:	<p>The proposed issue includes financing for a current refunding of the remaining maturities of the Authority’s \$5,425,000 Public Project Revenue Bonds, Series 2005 (the “Series 2005 Bonds”).</p> <p>The Series 2005 Bonds were originally issued to finance the construction of two gymnasiums maintained by the Edina School District. Debt service is paid from annually appropriated funds derived from a tax levy.</p> <p>Interest rates on the obligations proposed to be refunded are 4.0% to 4.15%. Current market estimates for the refunding are below 2.5%. The refunding is expected to produce debt service savings of approximately \$288,000 over the next 11 years, or \$26,100 per year. The net present value benefit of the refunding is estimated to be \$256,000, or 6.5% of the refunded debt.</p> <p>This refunding is considered to be a current refunding as the obligations being refunded are either callable (pre-payable) now, or will be within 90 days of the date of issue of the new Bonds.</p>
Authority:	The Bonds are being issued under Minnesota Statutes, Chapters 469 and 475.
Term/Call Feature:	<p>The Bonds are being issued for an 11 year term. Principal on the Bonds will be due on May 1 in the years 2016 through 2026. Interest is payable every six months beginning November 1, 2015.</p> <p>The Bonds maturing on and after May 1, 2025 will be subject to prepayment at the discretion of the Authority on May 1, 2024 or any date thereafter.</p>
Bank Qualification:	Because the Authority is expecting to issue no more than \$10,000,000 in tax exempt debt during the calendar year, the Authority will be able to designate the Bonds as “bank qualified” obligations. Bank qualified status broadens the market for the Bonds, which can result in lower interest rates.
Rating:	The Authority’s most recent annual appropriation bond issues were rated “AA+” by Standard & Poor’s and “Aa2” by Moody’s Investors Service. Both agencies set their ratings below that of a City’s General Obligation debt due to the perceived risk associated with an annual appropriation pledge. The Moody’s rating is set an additional notch below the City’s rating because it deems the recreation facility to be “non-essential”, unlike a public works facility or city hall. The Authority will request new ratings for the Bonds.
Basis for Recommendation:	Based on our knowledge of your situation, your objectives communicated to us, our advisory relationship as well as characteristics of various municipal financing options, we are recommending the issuance of annual appropriation bonds through a competitive sale process as a suitable financing option because:



	<ul style="list-style-type: none"> <li>- It meets the Authority’s savings objectives.</li> <li>- Given the City’s high bond ratings and stature in the marketplace, this is a cost effective option for low interest rates that still maintains future flexibility for the repayment of debt. You do not expect to prepay the Bonds in the next eight to nine years.</li> <li>- This security is in keeping with the original obligation and is consistent with your existing practices and policies to finance these types of projects with this type of debt issue.</li> </ul>
<p>Method of Sale/Placement:</p>	<p>In order to obtain the lowest interest cost to the Authority, we will competitively bid the purchase of the Bonds from local and national underwriters/banks.</p> <p>We have included an allowance for discount bidding equal to 1.20% of the principal amount of the issue. The discount is treated as an interest item and provides the underwriter with all or a portion of their compensation in the transaction.</p> <p>If the Bonds are purchased at a price greater than the minimum bid amount (maximum discount), the unused allowance may be used to lower your borrowing amount.</p> <p><b>Premium Bids:</b> Under current market conditions, most investors in municipal bonds prefer “premium” pricing structures. A premium is achieved when the coupon for any maturity (the interest rate paid by the issuer) exceeds the yield to the investor, resulting in a price paid that is greater than the face value of the bonds. The sum of the amounts paid in excess of face value is considered “reoffering premium.”</p> <p>The amount of the premium varies, but it is not uncommon to see premiums for new issues in the range of 2.00% to 10.00% of the face amount of the issue. This means that an issuer with a \$2,000,000 offering may receive bids that result in proceeds of \$2,040,000 to \$2,200,000.</p> <p>Because this is a refunding and there is no need for additional proceeds, for this issue of Bonds we have been directed to use the premium to reduce the size of the issue. The adjustments may slightly change the true interest cost of the original bid, either up or down.</p> <p>You have the choice to limit the amount of premium in the bid specifications. This may result in fewer bids, but it may also eliminate large adjustments on the day of sale and other uncertainties.</p>
<p>Review of Existing Debt:</p>	<p>We have reviewed all outstanding indebtedness for the Authority and find that, other than the obligations proposed to be refunded by the Bonds, there are no other refunding opportunities at this time.</p> <p>We will continue to monitor the market and the call dates for the Authority’s outstanding debt and will alert you to any future refunding opportunities.</p>



Continuing Disclosure:	Because the Authority has more than \$10,000,000 in outstanding debt (including this issue) and this issue is over \$1,000,000, the Authority will be agreeing to provide certain updated Annual Financial Information and its Audited Financial Statement annually as well as providing notices of the occurrence of certain “material events” to the Municipal Securities Rulemaking Board (the “MSRB”), as required by rules of the Securities and Exchange Commission (SEC). The Authority is already obligated to provide such reports for its existing bonds, and has contracted with Ehlers to prepare and file the reports.
Arbitrage Monitoring:	Because the Bonds are tax-exempt securities/tax credit securities, the Authority must ensure compliance with certain Internal Revenue Service (IRS) rules throughout the life of the issue. These rules apply to all gross proceeds of the issue, including initial bond proceeds and investment earnings in construction, escrow, debt service, and any reserve funds. How issuers spend bond proceeds and how they track interest earnings on funds (arbitrage/yield restriction compliance) are common subjects of IRS inquiries. Your specific responsibilities will be detailed in the Signature, No-Litigation, Arbitrage Certificate and Purchase Price Receipt prepared by your Bond Attorney and provided at closing. You have retained Ehlers to assist you with compliance with these rules.
Risk Factors:	<b>Current Refunding:</b> The Bonds are being issued for the purpose of current refunding prior Authority debt obligations. Those prior debt obligations are “callable” now and can therefore be paid off within 90 days or less. The new Bonds will not be pre-payable until May 1, 2024. This refunding is being undertaken based in part on an assumption that the Authority does not expect to have future revenues to pay off this debt and that market conditions warrant the refinancing at this time.
Other Service Providers:	<p>This debt issuance will require the engagement of other public finance service providers. This section identifies those other service providers, so Ehlers can coordinate their engagement on your behalf. Where you have previously used a particular firm to provide a service, we have assumed that you will continue that relationship. For services you have not previously required, we have identified a service provider. Fees charged by these service providers will be paid from proceeds of the obligation, unless you notify us that you wish to pay them from other sources. Our pre-sale bond sizing includes a good faith estimate of these fees, so their final fees may vary. If you have any questions pertaining to the identified service providers or their role, or if you would like to use a different service provider please contact us.</p> <p><b>Bond Attorney:</b> Dorsey &amp; Whitney LLP</p> <p><b>Paying Agent:</b> U.S. Bank National Association</p> <p><b>Rating Agency:</b> Standard &amp; Poor’s and Moody’s Investors Service</p>

This presale report summarizes our understanding of the Authority’s objectives for the structure and terms of this financing as of this date. As additional facts become known or capital markets conditions change, we may need to modify the structure and/or terms of this financing to achieve results consistent with the Authority’s objectives.



## Proposed Debt Issuance Schedule

Pre-Sale Review by HRA Board:	May 19, 2015
Distribute Official Statement:	Week of June 1, 2015
Conference with Rating Agency:	Week of June 1, 2015
HRA Board Meeting to Award Sale of the Bonds:	June 16, 2015
Estimated Closing Date:	July 15, 2015
Redemption Date for Series 2005 Bond:	On or about August 1, 2015

## Attachments

Sources and Uses of Funds  
Proposed Debt Service Schedule  
Refunding Savings Analysis  
Resolution Authorizing Ehlers to Proceed With Bond Sale

## Ehlers Contacts

Financial Advisors:	Mark Ruff	(651) 697-8505
	Nick Anhut	(651) 697-8507
Disclosure Coordinator:	Wendy Lundberg	(651) 697-8540
Financial Analyst:	Alicia Gage	(651) 697-8551

The Official Statement for this financing will be mailed to the Board of Commissioners at their home address or e-mailed for review prior to the sale date.



# Edina HRA, Minnesota

\$3,655,000 Public Project Revenue Refunding Bonds, Series 2015  
Proposed Current Refunding of Series 2005A  
Assumes Current Market BQ "AA+/Aa2" Rates plus 15bps

## Sources & Uses

Dated 07/15/2015 | Delivered 07/15/2015

### Sources Of Funds

Par Amount of Bonds	\$3,655,000.00
<b>Total Sources</b>	<b>\$3,655,000.00</b>

### Uses Of Funds

Total Underwriter's Discount (1.200%)	43,860.00
Costs of Issuance	56,000.00
Deposit to Current Refunding Fund	3,550,610.94
Rounding Amount	4,529.06
<b>Total Uses</b>	<b>\$3,655,000.00</b>

# Edina HRA, Minnesota

\$3,655,000 Public Project Revenue Refunding Bonds, Series 2015

Proposed Current Refunding of Series 2005A

Assumes Current Market BQ "AA+/Aa2" Rates plus 15bps

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+	Fiscal Total
07/15/2015	-	-	-	-	-
11/01/2015	-	-	20,335.81	20,335.81	-
05/01/2016	315,000.00	0.600%	34,532.50	349,532.50	369,868.31
11/01/2016	-	-	33,587.50	33,587.50	-
05/01/2017	305,000.00	0.950%	33,587.50	338,587.50	372,175.00
11/01/2017	-	-	32,138.75	32,138.75	-
05/01/2018	310,000.00	1.200%	32,138.75	342,138.75	374,277.50
11/01/2018	-	-	30,278.75	30,278.75	-
05/01/2019	315,000.00	1.450%	30,278.75	345,278.75	375,557.50
11/01/2019	-	-	27,995.00	27,995.00	-
05/01/2020	320,000.00	1.650%	27,995.00	347,995.00	375,990.00
11/01/2020	-	-	25,355.00	25,355.00	-
05/01/2021	325,000.00	1.850%	25,355.00	350,355.00	375,710.00
11/01/2021	-	-	22,348.75	22,348.75	-
05/01/2022	335,000.00	2.050%	22,348.75	357,348.75	379,697.50
11/01/2022	-	-	18,915.00	18,915.00	-
05/01/2023	345,000.00	2.300%	18,915.00	363,915.00	382,830.00
11/01/2023	-	-	14,947.50	14,947.50	-
05/01/2024	350,000.00	2.550%	14,947.50	364,947.50	379,895.00
11/01/2024	-	-	10,485.00	10,485.00	-
05/01/2025	360,000.00	2.700%	10,485.00	370,485.00	380,970.00
11/01/2025	-	-	5,625.00	5,625.00	-
05/01/2026	375,000.00	3.000%	5,625.00	380,625.00	386,250.00
<b>Total</b>	<b>\$3,655,000.00</b>	<b>-</b>	<b>\$498,220.81</b>	<b>\$4,153,220.81</b>	<b>-</b>

## Yield Statistics

Bond Year Dollars	\$21,893.69
Average Life	5.990 Years
Average Coupon	2.2756361%
Net Interest Cost (NIC)	2.4759677%
True Interest Cost (TIC)	2.4784620%
Bond Yield for Arbitrage Purposes	2.2589523%
All Inclusive Cost (AIC)	2.7642793%

## IRS Form 8038

Net Interest Cost	2.2756361%
Weighted Average Maturity	5.990 Years

# Edina HRA, Minnesota

\$3,655,000 Public Project Revenue Refunding Bonds, Series 2015

Proposed Current Refunding of Series 2005A

Assumes Current Market BQ "AA+/Aa2" Rates plus 15bps

## Debt Service Comparison

Date	Total P+	Net New D/S	Old Net D/S	Savings
05/01/2016	369,868.31	365,339.25	397,443.76	32,104.51
05/01/2017	372,175.00	372,175.00	397,243.76	25,068.76
05/01/2018	374,277.50	374,277.50	401,643.76	27,366.26
05/01/2019	375,557.50	375,557.50	400,443.76	24,886.26
05/01/2020	375,990.00	375,990.00	403,843.76	27,853.76
05/01/2021	375,710.00	375,710.00	401,643.76	25,933.76
05/01/2022	379,697.50	379,697.50	404,043.76	24,346.26
05/01/2023	382,830.00	382,830.00	405,843.76	23,013.76
05/01/2024	379,895.00	379,895.00	406,612.50	26,717.50
05/01/2025	380,970.00	380,970.00	406,762.50	25,792.50
05/01/2026	386,250.00	386,250.00	411,293.76	25,043.76
<b>Total</b>	<b>\$4,153,220.81</b>	<b>\$4,148,691.75</b>	<b>\$4,436,818.84</b>	<b>\$288,127.09</b>

## PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings.....	252,270.76
Net PV Cashflow Savings @ 2.259% (Bond Yield)....	252,270.76
Contingency or Rounding Amount.....	4,529.06
Net Present Value Benefit	\$256,799.82
Net PV Benefit / \$3,907,270.76 PV Refunded Debt Service	6.572%
Net PV Benefit / \$3,515,000 Refunded Principal...	7.306%
Net PV Benefit / \$3,655,000 Refunding Principal..	7.026%

## Refunding Bond Information

Refunding Dated Date	7/15/2015
Refunding Delivery Date	7/15/2015

# Edina HRA, MN

## \$5,425,000 HRA Public Project Revenue Bonds, Series 2005A

### Debt Service To Maturity And To Call

Date	Refunded Bonds	Refunded Interest	D/S To Call	Principal	Coupon	Interest	Refunded D/S
07/15/2015	-	-	-	-	-	-	-
08/01/2015	3,515,000.00	35,610.94	3,550,610.94	-	-	-	-
11/01/2015	-	-	-	-	-	71,221.88	71,221.88
05/01/2016	-	-	-	255,000.00	4.000%	71,221.88	326,221.88
11/01/2016	-	-	-	-	-	66,121.88	66,121.88
05/01/2017	-	-	-	265,000.00	4.000%	66,121.88	331,121.88
11/01/2017	-	-	-	-	-	60,821.88	60,821.88
05/01/2018	-	-	-	280,000.00	4.000%	60,821.88	340,821.88
11/01/2018	-	-	-	-	-	55,221.88	55,221.88
05/01/2019	-	-	-	290,000.00	4.000%	55,221.88	345,221.88
11/01/2019	-	-	-	-	-	49,421.88	49,421.88
05/01/2020	-	-	-	305,000.00	4.000%	49,421.88	354,421.88
11/01/2020	-	-	-	-	-	43,321.88	43,321.88
05/01/2021	-	-	-	315,000.00	4.000%	43,321.88	358,321.88
11/01/2021	-	-	-	-	-	37,021.88	37,021.88
05/01/2022	-	-	-	330,000.00	4.000%	37,021.88	367,021.88
11/01/2022	-	-	-	-	-	30,421.88	30,421.88
05/01/2023	-	-	-	345,000.00	4.125%	30,421.88	375,421.88
11/01/2023	-	-	-	-	-	23,306.25	23,306.25
05/01/2024	-	-	-	360,000.00	4.125%	23,306.25	383,306.25
11/01/2024	-	-	-	-	-	15,881.25	15,881.25
05/01/2025	-	-	-	375,000.00	4.125%	15,881.25	390,881.25
11/01/2025	-	-	-	-	-	8,146.88	8,146.88
05/01/2026	-	-	-	395,000.00	4.125%	8,146.88	403,146.88
<b>Total</b>	<b>\$3,515,000.00</b>	<b>\$35,610.94</b>	<b>\$3,550,610.94</b>	<b>\$3,515,000.00</b>	<b>-</b>	<b>\$921,818.84</b>	<b>\$4,436,818.84</b>

### Yield Statistics

Base date for Avg. Life & Avg. Coupon Calculation	7/15/2015
Average Life	6.225 Years
Average Coupon	4.0787838%
Weighted Average Maturity (Par Basis)	6.225 Years

### Refunding Bond Information

Refunding Dated Date	7/15/2015
Refunding Delivery Date	7/15/2015

Resolution No. \_\_\_\_\_

Commissioner \_\_\_\_\_ introduced the following resolution and moved its adoption:

**Resolution Providing for the Sale of  
\$3,655,000 Public Project Revenue Refunding Bonds, Series 2015**

- A. WHEREAS, the Board of Commissioners of the Edina Housing and Redevelopment Authority, Minnesota has heretofore determined that it is necessary and expedient to issue the Authority's \$3,655,000 Public Project Revenue Refunding Bonds, Series 2015 (the "Bonds"), to finance a current refunding of the outstanding maturities of the Authority's \$5,425,000 Public Project Revenue Bonds, Series 2005; and
- B. WHEREAS, the Authority has retained Ehlers & Associates, Inc., in Roseville, Minnesota ("Ehlers"), as its independent financial advisor for the Bonds in accordance with Minnesota Statutes, Section 475.60, Subdivision 2(9);

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Edina Housing and Redevelopment Authority, Minnesota, as follows:

- 1. Authorization; Findings. The Board of Commissioners hereby authorizes Ehlers to assist the Authority for the sale of the Bonds.
- 2. Meeting; Proposal Opening. The Board of Commissioners shall meet at 7:00 p.m. on June 16, 2015, for the purpose of considering proposals for and awarding the sale of the Bonds.
- 3. Official Statement. In connection with said sale, the officers or employees of the Authority are hereby authorized to cooperate with Ehlers and participate in the preparation of an official statement for the Bonds and to execute and deliver it on behalf of the Authority upon its completion.

The motion for the adoption of the foregoing resolution was duly seconded by Commissioner \_\_\_\_\_ and, after full discussion thereof and upon a vote being taken thereon, the following Commissioners voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this 19<sup>th</sup> day of May, 2015.

\_\_\_\_\_  
Executive Director