



# Minnesota Valley Transit Authority Certificates of Participation Build America Bonds (BABs)

**October 26, 2010**

**Board Members**

**PRESENTERS**

Lois Spear, Finance Officer, MVTA

Terri Heaton, Senior Vice President



# Update on Eagan Bus Garage Expansion

- New cost estimates
- Clarification on COP application to project
- Revised revenue stream for debt service
- New debt estimates (changing markets)
- Legal requirements and approvals from others
- Timing update

# Construction Budget Estimates

## Uses:

Expansion	\$6,689,449
Renovation	776,295
Land and Design	<u>1,587,832</u>
Total Uses	\$9,053,575

## Sources:

Bonds	\$6,689,449
NTD allocations-delayed principal	776,295
Grants	<u>1,587,832</u>
Total Sources	\$9,053,575

# Certificates of Participation

- MN Statutes 475, 473.384 and 473.388
- Annual Appropriation Bonds
  - Must be able to walk away from the project
  - Too much equity in existing structure
- Separate Leased Space
  - Area to be taken over by trustee in the event of default
  - Condominium application

# Bonding Capacity

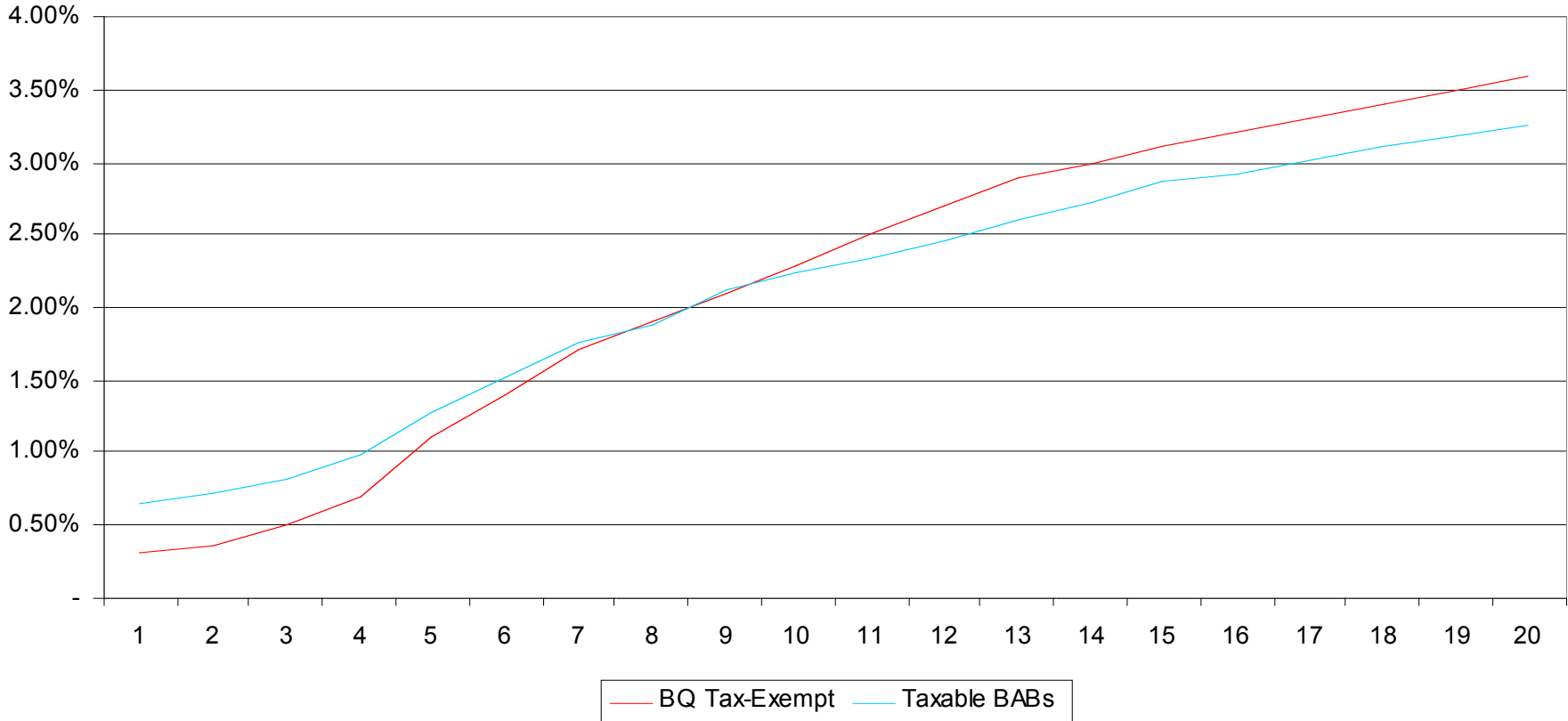
- Previous comparisons for BABs
  - \$500,000 annual payment estimate for new issue in structures developed for comparison
  - 25 year term
- Current Estimate
  - \$500,000 annual principal payment
  - 20 year term

# Timing of Bond Sale

- When costs are known
  - Minimize risk of over or under bonding
- When money is needed
  - Minimize interest costs
- And/or, when financially advantageous
  - Build America Bonds expires December 2010
  - Low interest rate environment

# BABs: Potential Benefits

**BQ Tax-Exempt vs Taxable BABs**  
Wednesday, August 25, 2010



# Minnesota Valley Transit Authority

## Comparison of 20-year Bonds (cap interest)

	Tax-Exempt	Build America Bonds
Interest Rate	3.89%	3.42%
Total Net Interest Costs (after credit)	\$3,850,400	\$3,262,772
Average Net Annual Payment	\$654,560	\$618,455
Present Value Savings		\$549,635



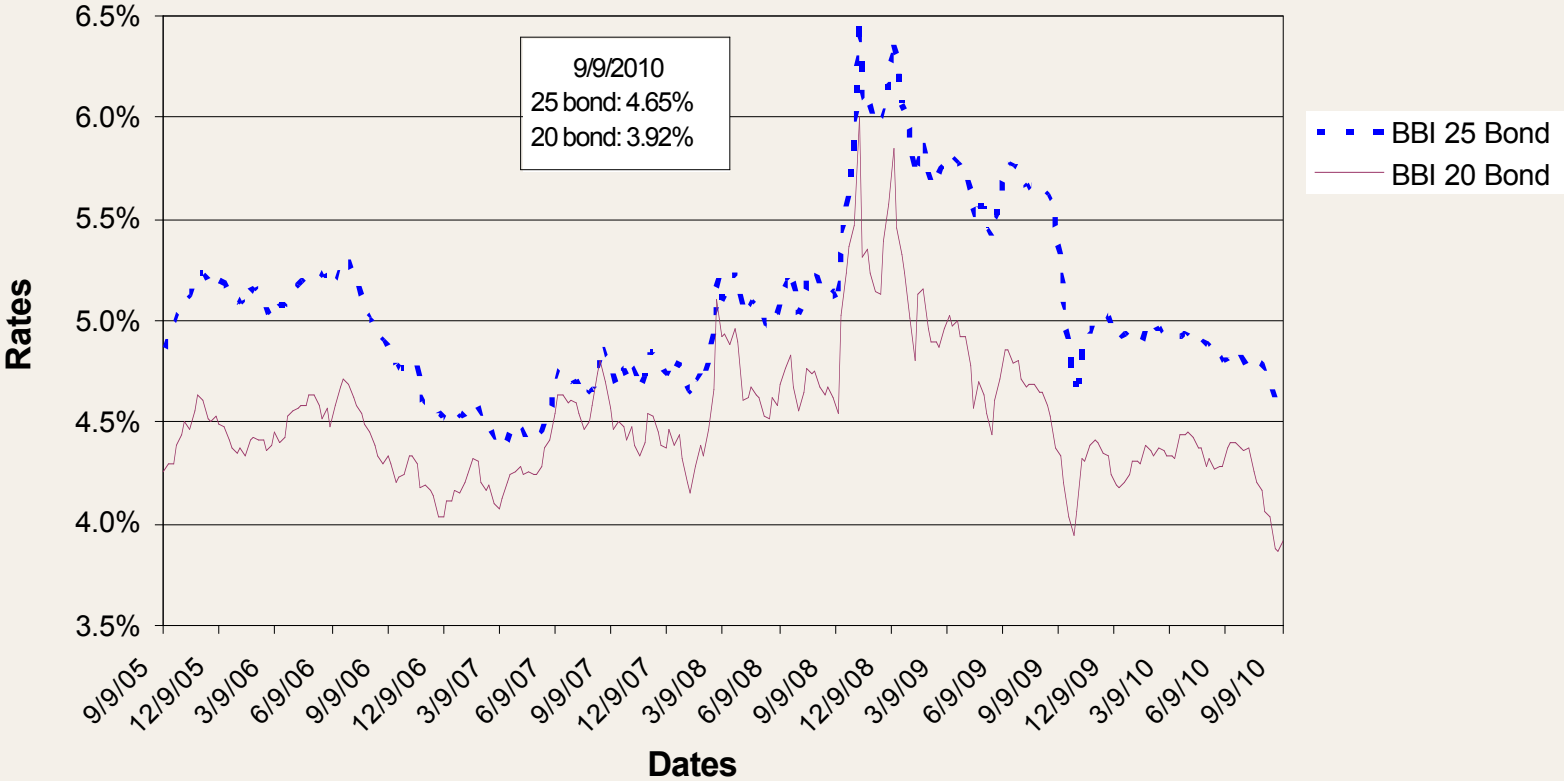
# Minnesota Valley Transit Authority

## Comparison of 20-year Bonds (no cap interest)

	Tax-Exempt	Build America Bonds
Interest Rate	3.81%	3.35%
Total Net Interest Costs (after credit)	\$3,287,270	\$2,835,135
Average Net Annual Payment	\$622,096	\$593,652
Present Value Savings		\$402,089

# Bond Buyer Index

## BBI 25-bond (Revenue) and 20-bond (G.O.) Rates for 5 Years Ending 9/9/2010



Prepared by Springsted Incorporated



# Approval Process – Other Agencies

- MNDOT
  - Can occur after selling and even closing of bonds
  - Approval of green space as parking
    - Other options include parking deck or shuttles
- Met Council
  - Must occur prior to selling bonds
  - Easement approval

# Calendar

September 15	Discussion - Finance Committee Meeting
September 22	Preliminary Approval Board Meeting
October	Costs defined, legal issues reviewed, RFP developed, rating assessed
October 27	Update on process and current estimates
October/Early November	Underwriter selection, credit rating, legal issues resolved, agency approvals, documents drafted
Late November	Marketing and pre-selling
December 8-15	Negotiated Sale of Bonds
Late December	Closing on Bonds