

Public Sector Advisors





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

September 22, 2010

Board Members

PRESENTER

Terri Heaton, Senior Vice President

Client Representative



Project to be Financed

- \$8,000,000 Bus Garage Expansion located on newly acquired Adelman property
- Land paid for using NTD allocation
- Design and construction management also funded separately using the NTD allocation

Certificates of Participation

- MN Statutes 475, 473.384 and 473.388
- Issued pursuant to a Lease Agreement with an investor (Lessor) through a trust agreement
- MVTA (Authority) leases the improved property from the Lessor and lease payments are assigned to the Trustee
- Trustee uses the lease payments to make debt service payments

Certificates of Participation Terms and Conditions

- The Authority assigns to the Trustee, a mortgage for the real property being leased
- The Authority's obligation to pay lease payments shall be absolute and unconditional; must annually appropriate the payment in budget
- Lease authorizes the Authority to undertake renovation and improvements
- Call dates allowing prepayment of longest maturities

Bonding Capacity

- Look to wrap debt around existing debt to minimize impact
- Last payment is due December 2010 (2002 Bus Garage Capital Lease -COP)
- \$500,000 annual payment estimate for new issue in structures developed for comparison

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

Build America Bonds

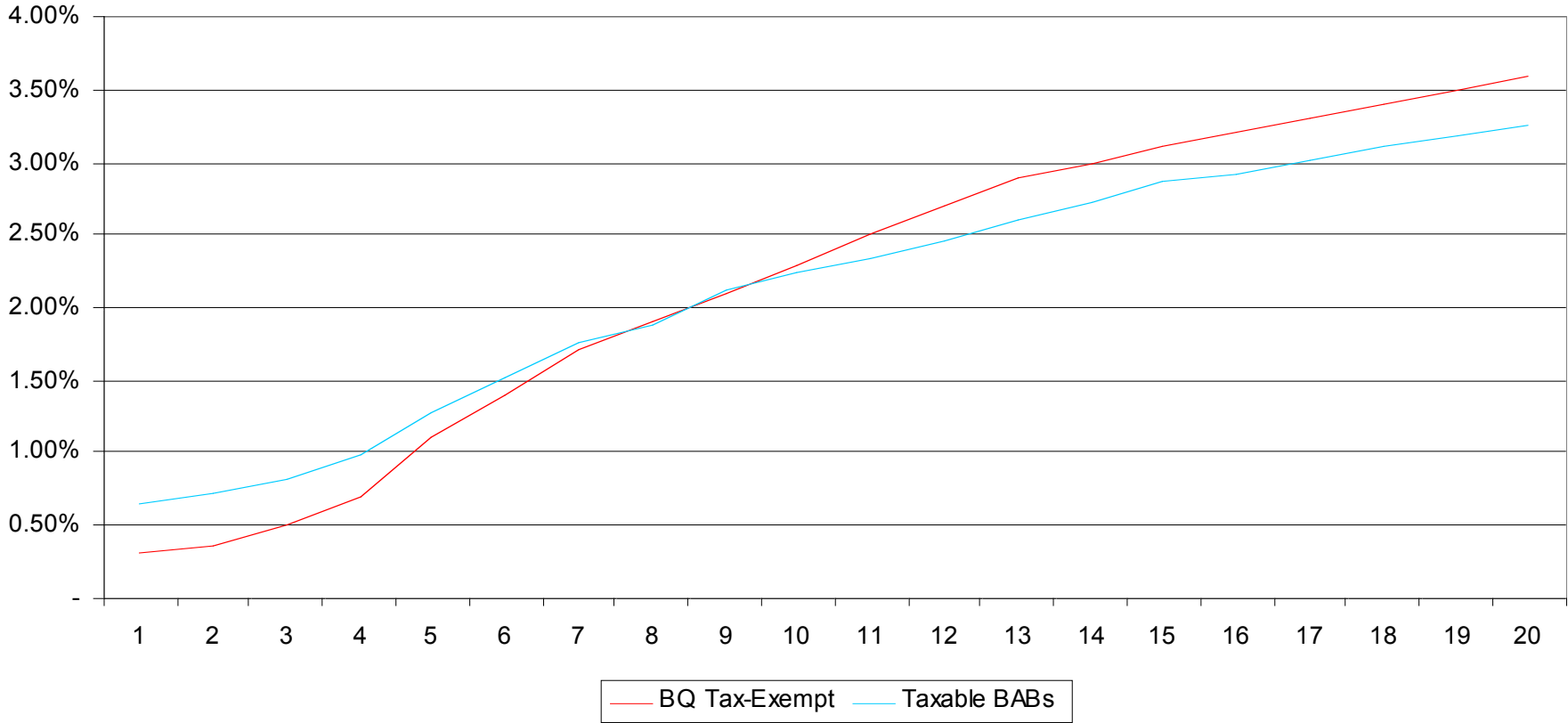
- Governmental bonds, not private activity
- Authorization for type of bond is separate
 - (GO Improvement, CIP, Jail, COP, etc)
- Must qualify as tax-exempt
- Issue as taxable bonds to earn a reimbursement of 35% of interest
- No national limit and ease access to issuers
- Fixed or variable rate
- No *Buy American* requirement
- No *Davis Bacon* requirement (federal fund requirement)

Build America Bonds *cont.*

- Sold competitively or negotiated
- Dual bid offered
- Lowest rate (net of interest reimbursement) awarded bonds

BABs: Potential Benefits

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



Minnesota Valley Transit Authority Comparison of 25-year Bonds

	Tax-Exempt	Build America Bonds
Interest Rate	4.453%	3.803%
Total Net Interest Costs (after credit)	\$5,095,191	\$4,235,431
Average Net Annual Payment	\$515,900	\$480,042
Present Value Savings		\$568,368

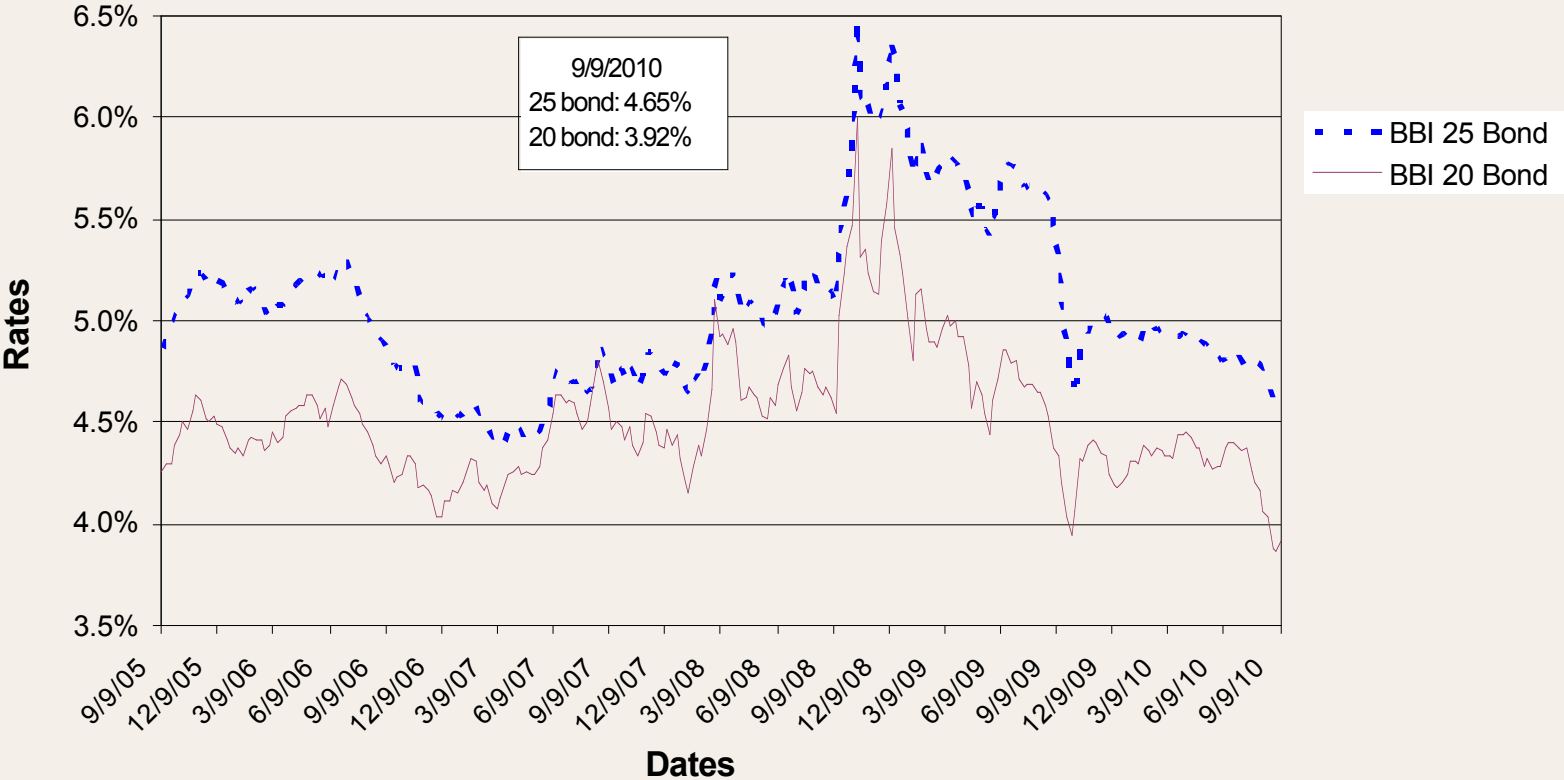
Build America Bonds

Noteworthy Considerations

- Reimbursement process
 - Reimbursement request via mail is made not less 45 days than or more than 90 days from payment date to the US Treasury
 - Payment via wire is made within 45 days of request
 - 2 payments per year, 25 years, 50 reimbursements from Treasury
- Audit risk mitigated by size
- Risk of nonpayment mitigated by ability to use extraordinary call

Bond Buyer Index

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



Prepared by Springsted Incorporated



Calendar

September 15	Discussion - Finance Committee Meeting
September 22	Preliminary Approval - Board Meeting
October	Selection of an underwriter, rating assessment, structuring and costs defined.
October 27	Consideration of resolution authorizing bond sale
October/November	Drafting of documents-POS, Lease , Trust Indenture,
November	Marketing
December 8	Negotiated Sale of Bonds
Late December	Closing on Bonds