

MEETING DATE: September 12, 2019

TITLE: Authorization to Release Request for Terms for Note Refinance

RESOLUTION NUMBER: 19-077

PREPARED BY: Cathy Reynolds

E-MAIL: creynolds@minnehahacreek.org

TELEPHONE: 952-641-4503

REVIEWED BY: Administrator Counsel Program Mgr. (Name): _____
 Board Committee Engineer Other: Stephen Rosholt

WORKSHOP ACTION:

<input type="checkbox"/> Advance to Board mtg. Consent Agenda.	<input type="checkbox"/> Advance to Board meeting for discussion prior to action.
<input type="checkbox"/> Refer to a future workshop (date): _____	<input type="checkbox"/> Refer to taskforce or committee (date): _____
<input type="checkbox"/> Return to staff for additional work.	<input type="checkbox"/> No further action requested.
<input checked="" type="checkbox"/> Other (specify): Final action on September 12, 2019	

PURPOSE or ACTION REQUESTED:

Staff is seeking Board's authorization to release a request for terms to refinance the District's 2012 Variable Rate Note currently held by Wells Fargo.

PROJECT/PROGRAM COST:

Fund name and number: Operations, 100-1002
Original Loan Amount: \$2,000,000
Amount to Refinance: \$1,300,000

PAST BOARD ACTION:

None.

SUMMARY:

In November 2012 the District signed a variable rate note with Wells Fargo in the amount of \$2,000,000. This note was for the purchase of the office building at 15320 Minnetonka Boulevard and for renovation work completed on the building. The District makes semi-annual payments of \$50,000 plus interest on the note. The next payment is due on November 1, 2019. After this payment the outstanding principal balance will be \$1,300,000. Included in the terms of the note is a mandatory tender date of November 1, 2019.

In preparation for the mandatory tender date, staff in conjunction with our financial advisor Baker Tilly has been in communication with Wells Fargo about possible refinance terms for the note. Based on these conversations and current market conditions, staff recommends that the District move forward to obtain competitive terms from banks for the refinance of the note.

Staff is seeking terms for up to 15 year notes. The maturity date on the current note is November 1, 2032. By looking at notes with up to a 15 year term we will keep the debt repayment schedule close to the current schedule and anticipate payments will remain similar to our current annual payments.

	Principal	Interest	Total Annual Payment
2017	\$100,000	\$36,446.40	\$136,446.40
2018	\$100,000	\$41,080.38	\$141,080.38
2019	\$100,000	*\$59,405.88	*\$159,405.88

*Estimated payment amount due to variable rate being tied to monthly LIBOR rate

The term sheet will be sent to a limited number of banks with a return date of September 20, 2019. Staff will compile the information and bring it to the Board on September 26, 2019 to approve the selection of the bank and terms to move forward with the note refinance. This will allow time for the new loan to close by November 1, 2019.

Attached:
Request for Terms

RESOLUTION

RESOLUTION NUMBER: 19-077

TITLE: Authorization to Release Request for Terms for Note Refinance

WHEREAS, The District took out a variable rate note in November 2012 with Wells Fargo in the amount of \$2,000,000 for the purchase and remodeling of the District office at 15320 Minnetonka Boulevard; and

WHEREAS, the 2012 note has a mandatory tender date of November 1, 2019; and

WHEREAS, the balance due after payment of the November 1, 2019 principal and interest payment is \$1,300,000; and

WHEREAS, the District seeks options for the refinance of the remaining balance of the 2012 note.

NOW, THEREFORE, BE IT RESOLVED that the Minnehaha Creek Watershed District Board of Managers, authorizes staff to release the request for terms for the refinance of the 2012 note.

Resolution Number 19-077 was moved by Manager _____, seconded by Manager _____.
Motion to adopt the resolution ___ ayes, ___ nays, ___ abstentions. Date: _____.

Secretary Date: _____

REQUEST FOR PROPOSALS

Minnehaha Creek Watershed District, Minnesota Tax Exempt General Obligation Notes

DATE OF REQUEST: September 13, 2019

RESPONSES DUE BY: September 20, 2019, 12:00 PM, CST

Ms. Cathy Reynolds, Operations Manager

Minnehaha Creek Watershed District

(952) 641-4503

creynolds@minnehahacreek.org

SUMMARY OF TERMS

September 13, 2019

\$1,320,000 (approximate)
Minnehaha Creek Watershed District, Minnesota
2012 Note Refinancing

- Introduction:* The Minnehaha Creek Watershed District (“District”) is seeking proposals from a limited number of banking institutions to assist in the financing of up to \$1,320,000 to refinance the District’s 2012 Variable Rate Note (2012 Note). After the District makes the final payment on November 1, 2019, there will be \$1,300,000 principal outstanding. The intent is the selected Bank will purchase the debt instrument to be held for their own account and not resold or participated without consent from the District and Bond Counsel.
- Financing:* The District previously entered into a Loan Agreement with Wells Fargo Bank, National Association for \$2,000,000 (the “2012 Loan”) to fund the purchase and renovation of a building to serve as the District’s headquarters in Minnetonka, Minnesota, including furniture and office fixtures, landscaping and other capital costs.
- The District is looking to refinance the 2012 Loan which is subject to mandatory tender on November 1, 2019.
- Background on the District:* The Minnehaha Creek Watershed District is a local unit of government responsible for managing and protecting the water resources of the Minnehaha Creek Watershed in parts of Minneapolis, Minnesota, and its western suburbs. The District is responsible for 181 square miles that drain into the Minnehaha Creek and ultimately the Mississippi River. The watershed includes Minnehaha Creek, Lake Minnetonka, the Minneapolis Chain of Lakes, and Minnehaha Falls. There are eight major creeks, 129 lakes, and thousands of wetlands within the District. The District also includes all or part of 27 cities and two townships in Hennepin and Carver counties.
- Financial Information:* Financial information for the District, including the last three audited financial statements, can be found on the District’s website at www.minnehahacreek.org.
- Authority for Issuance:* Debt obligations of the District are authorized under Minnesota Statutes, Section 103D.335, Subdivision 17.

<i>Security and Source of Payment:</i>	The Note is payable from the General Fund of the Borrower and any other funds that may be legally available for payment. To the extent necessary to assure the availability of sufficient funds for payment in the General Fund, the District shall transfer funds allocable for administrative costs of the programs conducted by the District to the General Fund from available program operating accounts.
<i>Dated Date/Delivery Date:</i>	October 31, 2019
<i>Repayment Period:</i>	The District is looking to amortize the debt over 15 years, although may reduce the repayment period pending final terms offered by proposing banks and final decisions regarding the District's 2020 Budget. Please provide both 10 and 15-year repayment options.
<i>Payment Frequency:</i>	The District prefers semi-annual interest plus principal payments but is open to suggestions from respondents.
<i>Repayment Structure:</i>	The District is seeking equal annual payments of principal and interest.
<i>Principal Due:</i>	The Notes will mature semi-annually on May 1 and November 1 over a term of 10 to 15 years. The first principal payment will be on May 1, 2020.
<i>Interest Due:</i>	Interest will be paid semi-annually each May 1 and November 1, commencing on May 1, 2020.
<i>Optional Redemption Provisions:</i>	The District prefers flexible repayment provisions but is open to suggestions from respondents.
<i>Tax Status:</i>	Tax-exempt
<i>Bank Qualification:</i>	Bank Qualified
<i>Rating:</i>	The District will not seek a rating for the Notes, nor has it obtained a credit rating in the past.
<i>Financial Covenants:</i>	The District prefers minimal financial covenant requirements.
<i>Legal and Disclosure:</i>	Kutak Rock LLP will serve as bond counsel on matters relating to the financings.
<i>Timing and Expected Delivery Date:</i>	The District expects to obtain Board approval at its September 26, 2019 Board meeting and close on the transaction no later than October 31, 2019.

Inquiries: All inquiries should be directed to the District's Operations Manager, Ms. Cathy Reynolds, at creynolds@minnehahacreek.org and the District's Municipal Advisor, Mr. Doug Green, at doug.green@bakertilly.com. No persons other than those listed above should be contacted during the solicitation process unless specifically directed to do so.

Basis of Selection: Selection of a Bank will be at the sole discretion of the District based on a combination of proposed interest rate, fees, and ease of administration.

The District reserves the right to negotiate the requested services and contract terms with any respondent that, in their opinion, will be in the best interest of the District. The District does not plan to hold interviews but reserves the right to do so either in person or via conference call.

Receipt of Proposal: Please submit your proposal by completing or providing the information requested on the attached response form via email no later than **12:00 p.m. Central Time on September 20, 2019.**

Attachment 1

Proposal Forms

(Choose Underwriter Form or Placement Agent/Bank Form)

PROPOSAL FORM
\$1,320,000 (approximate)
Minnehaha Creek Watershed District, Minnesota
General Obligation Notes, Series 2019

Name of Firm: _____ submits indication of interest rate pricing, and bid on its related costs and terms of sales for the District's \$1,320,000 General Obligation Notes, Series 2019 (the "Notes").

Please provide the requested information no later than 12:00 PM CST, Friday, September 20 via email to:

Ms. Cathy Reynolds, Operations Manager
Minnehaha Creek Watershed District, Minnesota
creynolds@minnehahacreek.org

AND

Mr. Doug Green, Director
Baker Tilly Municipal Advisors
doug.green@bakertilly.com

The respondent can either provide its indication of interest rate pricing as a single rate or as serial maturities with the option of term bonds. In either event, this indication should reflect your best indication given market conditions as of **September 18, 2019**.

Whether submitting a single rate or scaled rates, the total interest and related placement costs will be calculated on a true interest rate basis for comparative purposes.

For \$1,320,000* principal amount of 2019 General Obligation Notes we propose rates as follows:

IF BIDDING A SINGLE RATE:

Maturity	Interest Rate
May 1, 2020 – November 1, 2029 (10-year term)	_____ %
May 1, 2020 – November 1, 2034 (15-year term)	_____ %

IF BIDDING SERIAL/TERM BONDS:

Please provide a scale with serial and/or term bonds for semi-annual principal payments each May 1 and November 1, commencing May 1, 2020.

Please indicate if there will be an origination fee and if so, the fee: Yes or No \$ _____

Please indicate if there will be Bank Counsel and if so, the fee: Yes or No \$ _____

Please provide optional redemption provisions:

Respectfully submitted,

By _____

Its _____