

MEETING DATE: September 26, 2019

TITLE: Approval of Bank and Terms for Refinance of 2012 Note

RESOLUTION NUMBER: 19-086

PREPARED BY: Cathy Reynolds

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REVIEWED BY: Administrator Counsel Program Mgr. (Name): _____
 Board Committee Engineer District Bond Counsel

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 26, 2019	

PURPOSE or ACTION REQUESTED:

Staff is seeking:

- Board approval of the bank and refinance terms for the 2012 variable rate note.
- Board authorization for the President and District Administrator to execute the final note and related loan documents in accordance with the terms approved by the Board, and upon review and approval of District Bond Counsel.

PROJECT/PROGRAM COST:

Fund name and number: Operations, 100-1002
Original Loan Amount: \$2,000,000
Amount to Refinance: \$1,300,000
2020 Operations Debt Service Budget: \$155,000

PAST BOARD ACTION:

September 12, 2019: The Board approved the release of the RFP requesting terms for the note refinance.

SUMMARY:

Background:

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. Also included in the terms of the 2012 note is a mandatory tender date of November 1, 2019. The outstanding principal due on November 1, 2019 is \$1,300,000.

In preparation for the mandatory tender date, staff in conjunction with the District's financial advisor Baker Tilly (formerly Springsted Inc.), has been in communication with Wells Fargo about possible refinance terms for the 2012 note. Based on these conversations and current market conditions, staff recommended, and the Board approved, the release of a request for proposals (RFP) to obtain competitive terms from banks for the refinance of the existing note.

Replacement Note Options:

Working with Baker Tilly, staff distributed the RFP to five banks on September 16, 2019 and asked them to provide responses by September 23, 2019. The banks receiving the RFP were selected because they had indicated a willingness to provide a note with a fixed rate of interest that does not reset, with principal amortized over a term up to 15 years. Staff received responses from two banks. Staff has reviewed the responses in conjunction with the District's financial advisor, Baker Tilly; accountant, AEM; and bond counsel, Kutak Rock.

Based on the responses received staff recommends that the Board authorize the District Administrator to finalize negotiation of the replacement note with Bremer Bank.

Bremer Bank's proposal best meets the needs of the District as they are willing to provide a term between 10 and 15 years, with a fixed rate. The term and rates offered with the proposed replacement note with Bremer would allow the District to generally align the debt schedule repayment timeline of November 1, 2032 based on the maturity date on the current loan.

Further the estimated annual P&I payments for the 10 and 15 year terms are \$156,700 and \$109,706 respectively. Both options provide annual payments that are lower than the District's estimated 2019 payment for the current note, of \$159,406. Both options also closely align with, or fall within, the 2020 budget of \$155,000 for annual payment on the current note. This is based on a par amount of \$1,320,000. The balance due on the note is \$1,300,000, with an additional \$20,000 estimated for financing costs that the District can pay from cash on hand or with note proceeds.

Both options allow the District to maintain a stable debt service budget over the term of the note fairly consistent with our past/current budget(s).

Recommendation:

At the September 26, 2019 meeting staff will frame the options outlined above and seek final direction from the Board of Managers.

Pending discussion, staff recommends that a \$1,300,000 note be negotiated with Bremer Bank and that all financing costs be paid from current cash on hand. Discussion on the length of the note will be had at the meeting.

Staff further recommends that the Board authorize the President and District Administrator to execute a note and related loan documents with Bremer Bank upon review and approval of the District's Bond Counsel. The final note shall be executed in time to allow for final payment on the 2012 Wells Fargo Note to occur on November 1, 2019.

RESOLUTION

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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 Board approved the release of a request for proposals to obtain competitive terms for the refinance on September 12, 2019; and

WHEREAS, Staff received responses from two banks; and

WHEREAS, The Staff and the District Financial Advisor have reviewed the responses and proposed terms received from responding Banks; and

WHEREAS, Staff recommends that the Board authorize the District Administrator to negotiate the replacement note with Bremer bank for \$1,300,000, consistent with final direction provided by the Board of Managers on September 26, 2019.

NOW, THEREFORE, BE IT RESOLVED that the Minnehaha Creek Watershed District Board of Managers, authorizes the District Administrator to negotiate a note in the amount of \$1,300,000 with Bremer Bank, consistent with direction provided by the Board of Managers on September 26, 2019.

BE IT FURTHER RESOLVED that the Minnehaha Creek Watershed District Board of Managers, hereby authorizes the President and District Administrator to execute the note and related loan documents with Bremer Bank upon final review and approval of the District Bond Counsel.

Resolution Number 19-086 was moved by Manager _____, seconded by Manager _____.
Motion to adopt the resolution ___ ayes, ___ nays, ___ abstentions. Date: _____.

Secretary Date: _____

**DRAFT for discussion purposes only and subject to Board approval and the availability of funds.
Resolutions are not final until approved by the Board and signed by the Board Secretary.**