Committee Report

Management Committee

Committee meeting date: October 28, 2026 **For the Metropolitan Council:** November 18, 2026

Business Item: 2026-200

Defeasance of General Obligation Transit Bonds: Resolution 2026-20

Proposed action

That the Metropolitan Council adopt Resolution 2026-20 providing for the defeasance of outstanding General Obligation Transit Bonds Series 2019B, including the incurrence of related redemption expenses, and execution of defeasance and redemption documents.

Summary of Management Committee discussion/questions

The Business Item was presented by Mark Thompson, Director of Treasury.

There were no questions or discussion.

It was moved by Lilligren, seconded by Osman. **Motion carried.**

Business Item

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Defeasance of General Obligation Transit Bonds: Resolution 2026-20

District(s), member(s):	All
Policy/legal reference:	Debt Management Policy FM 3-2 MN. Statutes Chapters 473.39 and 475 Internal Revenue Code Section 148
Staff prepared/presented:	Mark Thompson, Director Treasury
Division/department:	Regional Administration Finance/Treasury

Proposed action

That the Metropolitan Council adopt Resolution 2026-20 providing for the defeasance of outstanding General Obligation Transit Bonds Series 2019B, including the incurrence of related redemption expenses, and execution of defeasance and redemption documents.

Background

In 2019 the Council issued $44,700,000 General Obligation Transit Bonds Series 2019B to fund capital expenditures for the Heywood Bus garage. $29,250,000 of this bond series remains outstanding and the final maturity for the bond is March 1, 2039. The Council has the option to redeem (pay-off) these bonds early on March 1, 2028. The Council's municipal advisor and bond counsel are both recommending that the Council redeem the 2019B bond series on March 1, 2028, and further advise that funds should be deposited in an escrow account now to pre-fund that redemption. This process of setting aside funds now in an escrow account to fund a future redemption is called a defeasance.

The amount to be placed in escrow is approximately $27,736,470, subject to locking in an escrow interest rate at closing. The escrow would be funded November 24, 2026.

Rationale

Defeasing the Series 2019B bond will help the Council comply with IRS Code Section 148, which governs post issuance compliance of tax-exempt municipal bonds, and dictates maximum balances and maximum interest earnings allowed in debt service funds. This defeasance applies only to the debt service portion of this bond issue, not spending of bond proceeds. The balance of Series 2019B debt service fund is currently too high and earning too much interest. Balances in the fund increased over time due to over-allocation of property taxes, increased interest earnings, and the 5% over levy required by statute. Unfortunately, per IRS rules, excess balances cannot be arbitrarily moved out of the fund to correct the situation. Defeasing the bond series will exempt the debt service fund from future IRS post issuance compliance issues as the bond will be considered paid off. If defeasance is not done, the Council will be out of compliance and will incur future IRS penalties.

Redeeming this bond issue will also result in future interest cost savings of $5.2 million and debt service for this bond would not be included in future Transit debt service levies.

Thrive lens analysis

On Feb. 12, 2025, the Council adopted Imagine 2050, which builds on policy direction in Thrive MSP 2040. Under the Thrive lens, this action supports the Thrive outcome of Stewardship through responsible management of the Council's debt program.

Funding

Transit debt service fund balances will be used to fund the defeasance. Specifically, the $7.6 million balance currently in the 2019B debt service fund and $20.1 million from available debt service fund balances.

Small business inclusion

There are no direct impacts on small businesses.

CERTIFICATION OF EXTRACT FROM MINUTES
RELATING TO DEFEASANCE OF GENERAL OBLIGATION TRANSIT BONDS
SERIES 2019B

Issuer: Metropolitan Council, Minnesota

Governing Body: Council Members

Kind, date, time and place of meeting: A regular meeting held Wednesday, November 18, 2026, at 4:00 o'clock P.M.

Members Present:

Members Absent:

Documents Attached:

Extract of minutes of said meeting including:

RESOLUTION NO. 2026-20
PROVIDING FOR THE DEFEASANCE OF THE COUNCIL'S OUTSTANDING GENERAL OBLIGATION TRANSIT BONDS, SERIES 2019B (HEYWOOD GARAGE II), AND AUTHORIZING EXECUTION OF AN ESCROW AGREEMENT

I, the undersigned, being the duly qualified and acting Recording Secretary of the Metropolitan Council, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said Council in my legal custody, from which they have been extracted; that said documents are correct and accurate copies of the resolution and related documents approved by the Council at its regular meeting held on November 18, 2026, so far as they relate to defeasing the Bonds; and that said meeting was duly held by the governing body at the time and place and was attended by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such Recording Secretary on _____, 2026.

_____
Recording Secretary

Council Member _____ introduced the following resolution and moved its adoption:

RESOLUTION NO. 2026-20
PROVIDING FOR THE DEFEASANCE OF THE COUNCIL'S OUTSTANDING GENERAL OBLIGATION TRANSIT BONDS, SERIES 2019B (HEYWOOD GARAGE II), AND AUTHORIZING EXECUTION OF AN ESCROW AGREEMENT

The motion for the adoption of the foregoing resolution was seconded by Council Member _____, and upon vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

and the following were absent for the vote:

whereupon the resolution was declared duly passed and adopted and was signed by the Chair whose signature was attested by the Recording Secretary.

RESOLUTION NO. 2026-20
PROVIDING FOR THE DEFEASANCE OF THE COUNCIL'S
OUTSTANDING GENERAL OBLIGATION TRANSIT BONDS,
SERIES 2019B (HEYWOOD GARAGE II), AND AUTHORIZING
EXECUTION OF AN ESCROW AGREEMENT

BE IT RESOLVED by the Metropolitan Council (the "Council" or the "Issuer"), as follows:

SECTION 1. BACKGROUND; FINDINGS.

1.01. Pursuant to a resolution adopted by this Board on May 8, 2019 (the "Bond Resolution"), the Council issued its General Obligation Transit Bonds, Series 2019B (Heywood Garage II) (the "Bonds"), dated June 19, 2019, in the original aggregate principal amount of $44,700,000, pursuant to Minnesota Statutes, Chapters 473 and 475 (collectively, the "Act").

1.02. The Bonds maturing in the years 2029 and thereafter, are subject to redemption and prepayment at the option of the Council on March 1, 2028, and on any date thereafter at a price of par plus accrued interest. The Council has determined to defease the Bonds by appropriating certain legally available funds in an amount that, if invested in securities authorized by Minnesota Statutes, Chapter 118A, will provide for the payment of principal and interest on the Bonds at maturity.

1.03. It is further found and determined that the Bonds will be paid as set forth in this Resolution.

1.04. It is further found and determined that it is the intent of this Council that the defeasance of the Bonds as provided for in this Resolution is not to be construed as impairing or affecting the covenants with or pledges to the holders of the Bonds contained in the Bond Resolution.

SECTION 2. ESCROW; DEFEASANCE

2.01. To accomplish defeasance of the Bonds the Council will establish an Escrow Account (the "Escrow Account") with U.S. Bank Trust Company, National Association (the "Escrow Agent"), a suitable financial institution in the State of Minnesota whose deposits are insured by the Federal Deposit Insurance Corporation and whose combined capital and surplus is not less than $500,000. A form of escrow agreement (the "Escrow Agreement") has been presented to this Council. The form of the Escrow Agreement is approved, together with any related documents necessary in connection therewith (collectively, the "Escrow Documents"). The Chair and the Chief Financial Officer/Treasurer of the Council (the "Authorized Officials") are authorized to execute the same on behalf of the Council on the date of the settlement of the escrow defeasance (the "Closing Date"). The approval hereby given to the Escrow Documents includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by legal counsel to the Council and by the officers authorized herein to execute said documents prior to their execution; and said officers are hereby authorized to approve said changes on behalf of the Council. The execution of any instrument by the appropriate officers of the Council herein authorized shall be conclusive evidence of the approval of such document in accordance with the terms hereof. In the event of absence or disability of the officers, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the Council by any duly designated acting official, or

by such other officer or officers of the Council as, in the opinion of the Office of General Counsel, may act in their behalf.

2.02. The Council approves the appropriation, pledge, and transfer to the Escrow Account, on the Closing Date, of the amount that is needed for payment of the principal and interest of the Bonds on and prior to the redemption date. The defeasance of the Bonds is not construed to be impairing or affecting the covenants with or pledges to the holders of the Bonds contained in the Bond Resolution. For the prompt and full payment of the principal and interest on the Bonds, as the same respectively become due, those funds pledged in the Bond Resolution have been and are irrevocably pledged (the "Pledged Funds"). If the balance in the Escrow Account is ever insufficient to pay all principal and interest then due on the Bonds, the deficiency must be promptly paid out of the Pledged Funds and, if such amounts are insufficient, from taxes hereafter levied for the payment of the Bonds and such funds may be reimbursed with or without interest from the Escrow Account when a sufficient balance is available therein. When the Bonds and interest thereon have been discharged as provided in this Resolution and the Escrow Agreement, all pledges, covenant and other rights granted by this Resolution and the Bond Resolution to the holders of the Bonds will cease.

2.03. The funds are to be invested in securities maturing or callable at the option of the holder on such dates and bearing interest at such rates as may be required to provide sufficient monies together with cash or other monies in the Escrow Account to pay when due the principal amount of and interest on the Bonds on and prior to their maturity dates. The funds may be used only for the purposes stated in this Section, except that any surplus remaining in the Escrow Account when all of the Bonds and interest thereon have been paid shall be transferred to the general fund of the Council.

2.04. Securities to be purchased from the funds are limited to securities specified in Section 475.67, subdivision 8 of the Act. The Chair and the Chief Financial Officer/Treasurer are authorized and directed to purchase the securities for the Escrow Account and to transfer them to the Escrow Agent as provided in the Escrow Agreement.

2.05 When the Bonds and interest thereon have been discharged as provided in this Resolution, all pledges, covenant and other rights granted by this Resolution to the holders of the Bonds will cease.

2.06 The Council will cause the Escrow Agent to deliver a Notice of Defeasance in the form attached to the Escrow Agreement to be filed with the Municipal Securities Rulemaking Board within 10 business days of the Closing Date and a Notice of Call for Redemption in the form attached to the Escrow Agreement in accordance with the Bond Resolution for the purpose of giving notice prior to the redemption date to the registered owners of the Bonds.

SECTION 3. HEADINGS. Headings in this resolution are included for convenience of reference only and are not a part hereof, and shall not limit or define the meaning of any provision hereof.

SECTION 4. ELECTRONIC SIGNATURES. The electronic signature of the Chair and the Chief Financial Officer/Treasurer, Recording Secretary or any of them, to this resolution and to any certificate or other document authorized to be executed hereunder shall be as valid as an original signature of such party and shall be effective to bind the Council thereto. For purposes hereof, (i) "electronic signature" means (a) a manually signed original signature that is then transmitted by electronic means or (b) a signature obtained through DocuSign or Adobe or a similarly digitally auditable signature gathering process; and (ii) "transmitted by electronic means" means sent in the

form of a facsimile or sent via the internet as a portable document format ("pdf") or other replicating image attached to an electronic mail or internet message.

Adopted: November 18, 2026.

_____	_____
Recording Secretary	Chair