

Stimulus Bill Finance Tools

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Stimulus Bill Bond Options

- Recovery Zone **Economic Development** Bonds (RZEDB)
- Recovery Zone **Facility** Bonds (RZFB)
- Build America Bonds (BABs)

Common Characteristics

- Time limited authority: Jan. 1, 2011
- Cap on Cost of Issuance: <2% of Principal
- Limit on Capitalized Interest: Construction Period

Recovery Zone Bonds

- Two types
 - Economic Development
 - Facility

Allocations

- 55 Counties – (see hand-out for actual numbers)
- Three options
 - Use directly
 - Assign to other city/cities within county
 - Waive – return to State

Recovery Zone

- Bond proceeds spent in designated “recovery zone”
- Primary guidance:
 - Area having “significant poverty, unemployment, rate of home foreclosures, or general distress”
 - Criteria: Discretion of issuer

RZ Economic Development Bonds

- “Qualified economic development purposes”
 - Public infrastructure and facilities
 - Governmental activity
 - Ability to issue as tax-exempt bonds

RZ Economic Development Bonds

- Many “Small” allocations
- Subject to prevailing wage rates

RZ Facility Bonds

- Enhanced “IDB”
- Private Activity
- >95% of proceeds used to “finance recovery zone property”

RZ Facility Bonds

- Limited issuance authority by counties
 - Authority: M.S. 469.152
 - Restricted to projects outside of city or urban town
- Convey allocation to county HRA-EDA-CDA

Potential Uses

- Larger manufacturing
- Commercial
- Office
- Tourism
- Private health care

RZ Facility Bonds

- NOT subject to prevailing wage rates
- “Shovel Ready” Projects

RZ Facility Bonds

- Investor Attractions
 - “Bank qualified” tax treatment
 - Temporary removal of AMT penalty
 - Private Placement with local banks

Build America Bonds

- Broad application
- No volume cap or allocations
- 35% federal reimbursement of interest expense
 - Or 35% tax credit to investor

Criteria for BABs

- **For governmental activity**
 - Infrastructure
 - Public Facilities
 - Parks
- **No private activities**

Economic Benefit of Stimulus Bill Bonds:

	<u>Estimated Impact</u>	
	<u>Rate Spread</u>	<u>\$ Savings</u>
RZ Economic Development Bond (45% Interest Credit)	.85%	\$143,313
Build America Bonds (35% Interest Credit)	.45%	\$ 84,665

*Assume \$1,000,000, 20-Year G.O. Bond Issue at current market rates

“Late Breaking News”

- Energy, Efficiency & Conservation Block Grants
 - Energy Efficiency, Retrofits, Distribution, Lighting Technologies
 - RFP: Dec. 8, 2009; Proposals: Jan. 19, 2010
 - \$6,000,000 Available
- Facility Cost Share Grant
 - 25% of Cost of Energy Improvement to \$100,000
 - Retrofits, HVAC Improvements, Lighting, Other Energy Efficiency Projects
 - \$6,000,000 Available
 - RFP: Jan. 11, 2010; Proposals: Feb. 23, 2010
- “Blocker Corporations”
 - 30% Capital Grants
- New Market Tax Credits & Energy Projects