



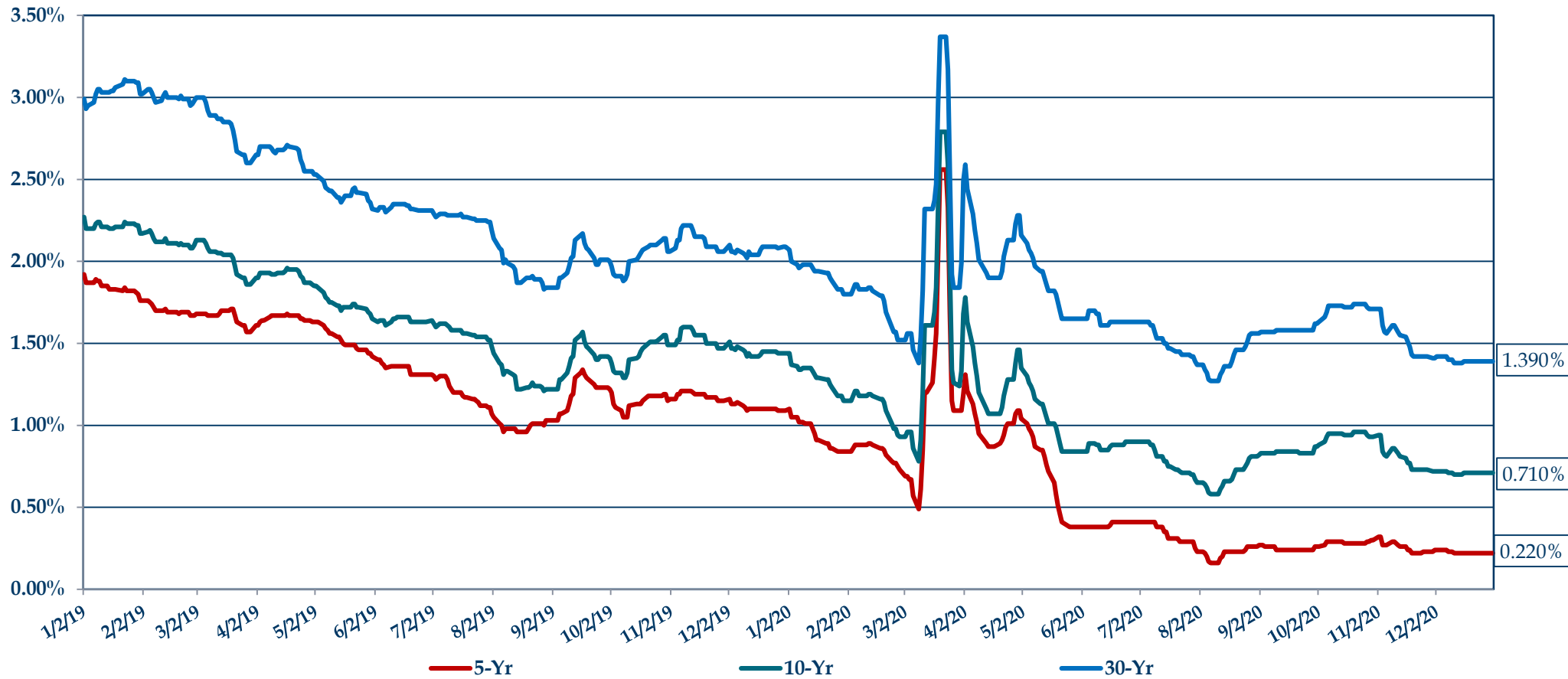
2020 Bond Sale, Capital Investment Guidelines and Debt Capacity

Jennifer Hassemer | Assistant Commissioner for Debt Management

2020 Bond Sales

Municipal Bond Market in 2020

5-, 10- and 30-Yr MMD Rates (January 2, 2019 – December 31, 2020)



Historical MMD Rates

August 2020 General Obligation Bond Sale

- Sold 7 series of G.O. bonds
- \$502.9 million were for new or ongoing projects
 - Interest rates ranged from 1.256% to 1.596%
- \$695.7 million refinanced outstanding bonds achieving significant interest rate savings
 - Saved general fund \$47.5 million
 - Saved trunk highway fund \$57.5 million

NEW ISSUES – BOOK ENTRY ONLY

RATINGS: Fitch: AAA
Moody's: Aa1
Standard & Poor's: AAA
See "RATINGS" herein

In the opinion of Kutak Rock LLP, Bond Counsel, under existing federal and Minnesota laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2020A Bonds, Series 2020B Bonds, Series 2020D Bonds, and Series 2020E Bonds (collectively, the "Tax-Exempt Bonds") is excludable from gross income for federal income tax purposes and from taxable net income of individuals, estates or trusts for Minnesota income tax purposes; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and is not a specific tax preference item for purposes of the federal alternative minimum tax or the Minnesota alternative minimum tax applicable to individuals, estates and trusts. The interest to be paid on the Series 2020C Bonds, Series 2020F Bonds, and Series 2020G Bonds (collectively, the "Taxable Bonds") is includable in gross income of owners thereof for federal income tax purposes, in taxable net income of individuals, estates and trusts for Minnesota income tax purposes, and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. For a discussion of tax matters see "TAX MATTERS" herein.



\$1,198,550,000

STATE OF MINNESOTA
General Obligation State Bonds
consisting of:

- \$330,360,000 General Obligation State Various Purpose Bonds, Series 2020A
- \$152,020,000 General Obligation State Trunk Highway Bonds, Series 2020B
- \$20,515,000 General Obligation Taxable State Various Purpose Bonds, Series 2020C
- \$128,115,000 General Obligation State Various Purpose Refunding Bonds, Series 2020D
- \$163,380,000 General Obligation State Trunk Highway Refunding Bonds, Series 2020E
- \$223,970,000 General Obligation Taxable State Various Purpose Refunding Bonds, Series 2020F
- \$180,190,000 General Obligation Taxable State Trunk Highway Refunding Bonds, Series 2020G

(collectively referred to as the "Bonds")

Dated: Date of Delivery

Due: as shown on inside cover

THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE OF MINNESOTA (THE "STATE") AND THE FULL FAITH AND CREDIT AND TAXING POWERS OF THE STATE ARE IRREVOCABLY PLEDGED FOR THE PAYMENT OF THE BONDS AND INTEREST THEREON WHEN DUE.

Future Debt Issuance Plans

- State General Obligation Bonds – typically early August
- General Fund-Backed Appropriation Bonds – typically after GO bond sale and by end of October
 - State Appropriation Bonds
 - MHFA Housing Infrastructure Bonds

Capital Investment Guidelines

Purpose of Minnesota's Capital Investment Guidelines

- Why have guidelines?
 - Guide decision making
 - Communicate policy goals
 - Demonstrate commitment to long-term capital and financial planning
- Why these guidelines?
 - Consistent with other states and rating agency review
 - Inclusive of all debt obligations
 - Represent Minnesota's strong financial management

Types of Debt Measured in Guidelines

- General obligation bonds (various purpose and trunk highway)
- State appropriation bonds
- Agency bonds, payable from standing appropriations
- Lease-purchase financing for real estate
- Lease-purchase financing for equipment
- Moral obligation debt

Capital Investment Guideline #1

- **Guideline #1:** Total tax-supported principal outstanding (sold) shall be 3.25% or less of total state personal income. **Current: 2.27%**
- What debt is included?
 - State Issued Debt
 - General Obligation Various Purpose Bonds; General Obligation Trunk Highway Bonds; State Appropriation Bonds
 - State-Supported Debt
 - State standing appropriations (University of Minnesota and Minnesota Housing Finance Agency); Lease-Purchase Financing for Real Estate
- “Self-supporting debt” is not included (for example, revenue bonds)

Capital Investment Guideline #2

- **Guideline #2:** Total amount of tax-supported principal (both sold and authorized/unsold) for state general obligations, state moral obligations, equipment capital leases and real estate capital leases shall not exceed 6% of total state personal income. **Current: 3.93%**
- What debt is included?
 - All debt types included in Guideline #1, including authorized but unissued, plus
 - Moral obligations (Housing Finance Agency, Office of Higher Education)
 - Lease purchase financing for equipment

Capital Investment Guideline #3

- **Guideline #3:** At least 40% of state G.O. bonds are to mature within 5 years and 70% within 10 years. **Current: 42.3% / 75.0%**
- Cost of bonding bills are realized more quickly

Capital Investment Guidelines
Summary of Outstanding Principal as of 11/30/2020
As of November 2020 Budget and Economic Forecast

Tax-Supported Debt (Guideline #1)	Principal Outstanding	Authorized, Unissued	Total
All State General Obligation Debt			
General Fund State General Obligation Debt	4,219,155,000	1,874,739,392	6,093,894,392
Trunk Highway Fund General Obligation Debt	2,044,330,000	1,341,922,218	3,386,252,218
BCA Bemidji Lease Revenue Bonds	1,190,000	0	1,190,000
Other Real Estate Capital Leases:			
Ag/Health Buildings	26,315,000	0	26,315,000
DHS Building	31,430,000	0	31,430,000
MHFA Supportive Housing 2008	20,550,000	0	20,550,000
MHFA Housing Infrastructure 2012	22,305,000	0	22,305,000
MHFA Housing Infrastructure 2014	76,200,000	0	76,200,000
MHFA Housing Infrastructure 2015	10,840,000	0	10,840,000
MHFA Housing Infrastructure 2017	31,965,000	0	31,965,000
MHFA Housing Infrastructure 2018	75,145,000	4,515,000	79,660,000
MHFA Housing Infrastructure 2019	43,755,000	16,245,000	60,000,000
MHFA Housing Infrastructure 2020	0	100,000,000	100,000,000
U of M:			
TCF Bank Stadium	64,990,000	0	64,990,000
Biosciences Facilities	153,390,000	0	153,390,000
State General Fund Appropriation Refunding Bonds	428,025,000	0	428,025,000
Professional Football Stadium Appropriation Bonds	408,740,000	0	408,740,000
Certificates of Participation - Legislative Office Facility	69,965,000	0	69,965,000
Lewis and Clark Regional Water System Bonds	16,015,000	3,500,000	19,515,000
Duluth Regional Exchange Appropriation Bonds	66,300,000	32,910,000	99,210,000
Public Television Equipment Appropriation Bonds	0	15,000,000	15,000,000
Electric Vehicle Infrastructure Appropriation Bonds	0	2,000,000	2,000,000
Response to Releases Appropriation Bonds	0	30,400,000	30,400,000
Pay for Performance Appropriation Bonds	<u>0</u>	<u>10,000,000</u>	10,000,000
TOTAL - Tax-Supported Debt	\$ 7,810,605,000 \$	3,431,231,610	\$ 11,241,836,610

Other Obligations (Guideline #2)

Tax-Supported Debt (issued and authorized but unissued)	\$ 11,241,836,610
MHFA Moral Obligation Debt ⁽¹⁾	1,704,985,000
MOHE Moral Obligation Debt	498,625,000
Equipment Leases	60,169,875
Guaranteed Energy Savings Program (GESP) Equipment Leases	15,752,970

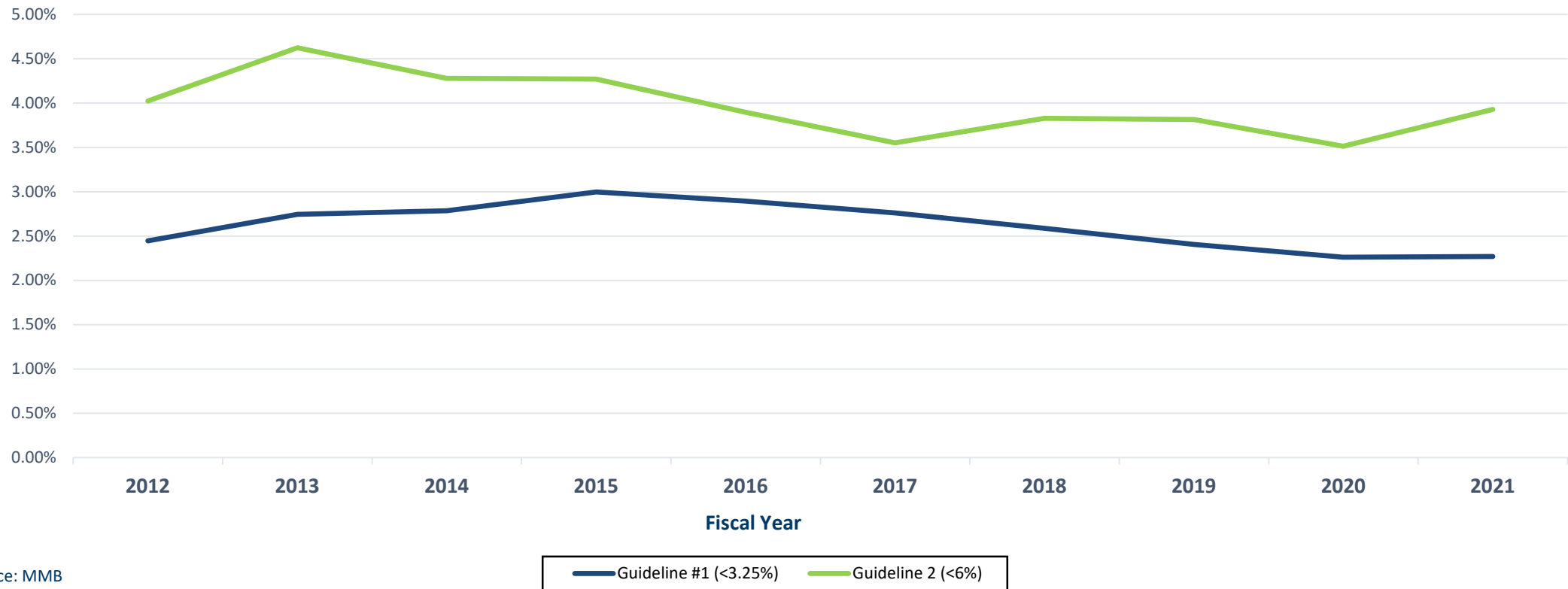
TOTAL - All Obligations \$ **13,521,369,455**

FY 2021 State Personal Income Estimate - IHS Forecast:	\$ 344,218,000,000
State Tax-Supported Debt as a Percent of Personal Income:	2.27%
Estimated maximum additional principal capacity for all tax-supported debt @ 3.25%	\$ 3,376,480,000
All Obligations as a Percent of Personal Income:	3.93%
Estimated maximum additional principal capacity for all obligations @ 6.0%	\$ 7,131,710,545

⁽¹⁾ MHFA has a \$5 billion statutory debt limit. However, several of the MHFA bonding programs are not issued as Moral Obligation debt. The bond programs that are not included because they are not secured by a debt service reserve fund subject to replenishment from Legislative appropriation are the conduit multifamily revenue bonds and bonds issued under Home Ownership Mortgage-backed Exempt Securities and Homeownership Finance Bonds.

Historic Guideline Calculations

Capital Investment Guidelines #1 and #2



Source: MMB

Debt Capacity

Managing State Debt Capacity

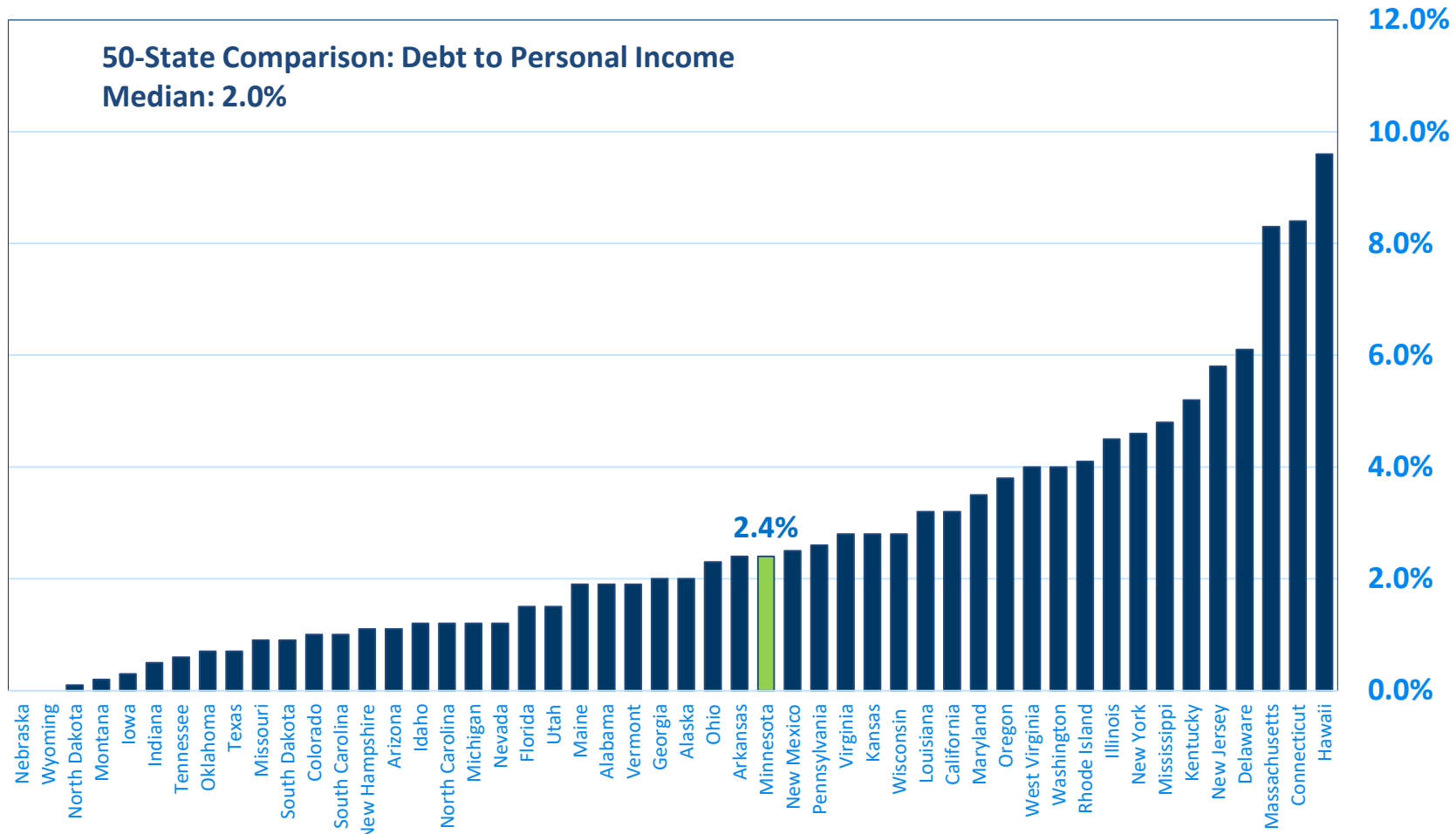
- Guidelines reflect a point in time
 - Once bonds are authorized, they first appear in Guideline #2
 - Once bonds are issued, they also appear in Guideline #1
 - Bonds are sold on a cash flow needs basis; the full authorization is not issued at once
- Debt Capacity reflects projections
 - Helps answer question, *How big could the bonding bill be?*
 - Based on forecast assumptions of 10-year rolling average
 - \$880 million in even years / \$240 million in odd years (November 2020 Forecast)

Managing State Debt Capacity

November 2020 Debt Capacity Report Maximum

<i>Dollars in millions</i>	FY21	FY22	FY23	FY24	FY25	FY26
Bonding Bill Assumed in Nov '20 Forecast	\$240	\$880	\$240	\$880	\$240	\$880
Maximum New Debt Authorizations Within Debt Guidelines	\$3,225	\$895	\$800	\$2,175	\$1,800	\$1,700
	FY22	FY23	FY24	FY25	FY26	FY27
Impact on Guideline #1	2.68%	3.15%	3.25%	3.17%	3.17%	3.25%
Impact on Guideline #2	4.64%	4.51%	4.32%	4.46%	4.50%	4.47%
Additional Debt Service Required	\$55	\$197	\$242	\$271	\$344	\$462

State-by-State Comparison



Source: Moody's State Debt Medians 2020, May 12, 2020.

Thank you

Jennifer Hassemer | Assistant Commissioner for Debt Management

jennifer.hassemer@state.mn.us

<https://mn.gov/mmb/debt-management/>

651-201-8079