MINUTES OF SPECIAL SESSION
OF THE CITY COUNCIL OF HUNTSVILLE, ALABAMA,
HELD WEDNESDAY, MAY 15, 2013

The Honorable Council of the City of Huntsville, Alabama, met in Special Session on Wednesday, May 15, 2013, at 3 p.m., in the Council Chambers of the Municipal Building, there being present:

President:	Russell
Councilpersons:	Culver, Kling, Olshefski, Showers
City Administrator:	Reynolds
City Attorney:	Joffrion
City Clerk-Treasurer:	Hagood

President Russell called the meeting to order, stating that he had called the Special Session for the purpose of adopting an ordinance authorizing the issuance of General Obligation Refunding Warrants, Series 2013-A and 2013-B.

President Russell read and introduced an ordinance authorizing the issuance of General Obligation Refunding Warrants, Series 2013-A and 2013-B, as follows:

(ORDINANCE NO. 13-372)

President Russell moved that unanimous consent be given for the immediate consideration of and action on said ordinance, which motion was duly seconded by Councilman Showers, and upon said motion being put to vote, the following vote resulted:

AYES: Culver, Olshefski, Kling, Showers, Russell

NAYS: None

President Russell stated that the motion for unanimous consent for immediate consideration of and action on said ordinance had been unanimously carried.

President Russell thereupon moved that said ordinance be finally adopted, which motion was duly seconded by Councilman Showers.

President Russell asked Mr. Randy Taylor, Director of Finance, to inform the Council and the public concerning this matter.

Mr. Taylor stated that he would give a general overview of what had been accomplished with this financing they were asking the Council to approve and then two of the City's advisors, Mr. Phil Dotts with the PFM Group and Mr. Rod Kanter with Bradley Arant Boult Cummings, whom he noted worked with them closely on such matters, would speak. He stated that they would explain what was unique about this and help persons understand why it had been handled in the manner it had been handled.

Mr. Taylor stated that this was the refinancing of money the City had borrowed in 2010, associated with the Municipal Jail Complex, noting that this was the $20.7 million that had been borrowed to complete that project. He stated that they had had some optimism that they would eventually recover some of this cost, so that they had arranged that particular $20 million with certain interest rates and call options of the City. He stated that at this time, they were not as optimistic as they had been concerning this, so that this was a good opportunity, given where rates were at this time, to refinance this. He stated that the City had refinanced a number of its debt obligations in the past 18 months and that this was just another one of these. He stated that this debt could be paid off immediately, unlike some of the debt, where they had to wait a period of time to do so.

Mr. Taylor stated that they had done this by way of a competitive process, noting that earlier in the day, at 10 a.m., bids had been received from anyone who was interested in bidding on the City's debt. He stated that they had not used underwriters with this, that they had gone straight to the marketplace. He stated that it was an electronic bidding system for the most part but they had also had bids that had been turned in on paper at Phil Dotts' office by 10 a.m. on this date.

Mr. Taylor stated that all the bids had been opened, the results from the electronic system had been made available to them, and they had made a decision rather quickly, within just a few moments, as to who the low bidder was. He stated that he would display these results in just a moment.

Mr. Taylor stated that they had received 13 bids, in total, for 2013-A, noting that Mr. Dotts would explain why they had an "A," and they had received 8 bids for 2013-B, which he noted Mr. Dotts would also cover.

Mr. Taylor stated that he would give a summary of this.

He stated that of the $20.7 million they had borrowed, he would show what this would have cost to pay for it over the next 25 years as it was and compare it to what they would now be able to realize because of the refinancing.

Mr. Taylor stated that on the chart being displayed, the combined height of both lines, green and blue, indicated what they would have paid each year from this date until 2037 on this particular debt. He stated that in 2014, which he noted was the next fiscal year, the debt would have increased to approximately $1.4 million and stayed basically at that level for the remainder of the time. He stated that the blue line represented what they would now be paying, as a result of the interest rates and the way in which the debt had been arranged. He stated that the green line represented the savings they would realize in the budget by doing this.

Mr. Taylor stated that there would have been a steep increase in the payments on this debt, noting that it was $800,000 in the current year, and that they had already paid $400,000, so there was $400,000 remaining. He stated that that was what was seen on the first green bar. He stated that they would have gone from $800,000 in the current year to $1.4 million in the following year, which he noted was a really large step in the General Fund budget. He stated that this was difficult because it was going to compete with all the other things they had been trying to squeeze in the General Fund during a very tight period.

Mr. Taylor stated that this had been arranged to step up slowly, as one could see on the chart. He stated that they would not pay the $419,000 in the current year, that they would pay $600,000 the following year, $1 million the following year after that, and then $1.15 million, and then it would slowly step up. He stated that most of the savings would be early, as indicated by the green bars. He stated that this would help with the General Fund in the Long-Term Budget Plan.

Mr. Taylor stated that the Council members might recall he had mentioned they had already included the savings in the General Fund 5-Year-Plan because it had been obvious for quite some time that they could save this kind of money.

Mr. Taylor stated that this was what would be accomplished by doing this, noting that it was a total of $2.1 million in cash savings, all of the green numbers added up, which he noted was approximately 10 percent of the value of the debt. He stated that he did not recall any refinancing they had ever done that had been at a level of 10 percent, although Mr. Dotts might recall this. He stated that that was a function of what rates were versus what the bids were that they had received earlier in the day.

Mr. Taylor stated that Mr. Dotts would explain more about this particular competitive process and how it worked.

Mr. Philip Dotts, appeared before the Council, stating that he was with Public Financial Management, financial advisors to the City. He stated that traditionally the City had been a negotiated borrower. He stated that there were three different ways that debt could typically be sold, with one being through a negotiated process, which the City had done in the past and had been served very well with this; another being through a public competitive process, which was what was done on this date; and the other being through some sort of hybrid mix, such as an RFP process, which he noted was primarily designed for financial institutions.

Mr. Dotts stated that what they had done was combine No. 2 and No. 3, with a competitive process, but had also divided the debt into two series, Series A and Series B, with Series A being not necessarily limited to the banks but being designed to be attractive to the financial institutions, which he noted had been a growing part of the municipal landscape for the prior three or four years. He stated that they had a very large appetite for municipal debt because it was high-quality debt and it stayed on their balance sheets.

Mr. Dotts stated that, again, there was the public sale, noting that anyone could bid on either series. He stated that, as Mr. Taylor had said, there had been 13 bidders on Series A, with five of these being banks, and 8 bidders on Series B, none of which were banks. He stated that, overall, the results were exceptional and, to some extent, had exceeded their expectations, in terms of the response they had received and the number of bidders. He stated that, associated with the documents, they would see all the bidders.

Mr. Dotts stated that in this case, PNC Bank, the bank side of PNC, was the low bidder on Series A, noting that they had the highest price for the debt but the lowest interest rate, and that PNC Capital Markets, which he noted was basically the broker-dealer side of their operation, had the lowest bid on Series B.

Councilman Kling asked Mr. Dotts if he would, just in layman's terms, state the interest rate they had been paying in the past and the interest rate they would be paying in the future.

Mr. Dotts stated that the overall interest rate on the old debt was in excess of 4 percent, and the interest rate on this combined, for Series A and Series B, was 3.047 percent.

Councilman Showers stated to Mr. Dotts that Mr. Taylor had indicated they had not used any underwriters in this process. He asked Mr. Dotts to explain why they had been excluded on this.

Mr. Dotts stated that they were not excluded.

Councilman Showers stated that he was referring to the bidding process.

Mr. Dotts reiterated that traditionally the City had been a negotiated underwriter. He continued that there had always been the question as to whether they did or did not get the best deal that way. He stated that he believed that whether they were traditionally a negotiated underwriter kind of issuer or a competitive underwriter, they would be best served if they kind of mixed it up occasionally and used another approach. He stated that this was a relatively small piece of debt and they felt that this was a good opportunity to do this kind of experiment and see who responded. He stated that in this case, they had had a very good response from a large number of underwriters, not just the ones in their traditional group but also a number from other places. He stated that both Raymond James, which he noted was formerly Morgan Keegan, and Morgan Stanley had been bidders on both Series A and Series B.

President Russell asked if there were any further questions for Mr. Dotts.

There was no response.

Mr. Taylor stated that Mr. Kanter would explain the additional unique nature about this meeting being at this time, noting that there had been questions as to why the Council had to meet at this time, noting that they had just done the pricing and that typically there was a delay. He stated that Mr. Kanter would explain this, as well as what the Council had before it in the ordinance.

Mr. Rod Kanter appeared before the Council, stating that he was a partner with Bradley Arant Boult Cummings, and was serving as the City's bond counsel in this transaction.

Mr. Kanter stated that the reason they were here at this time at the special called meeting of the Council had to do with the process of the sale. He stated that as Mr. Dotts had mentioned, this had been done as a competitive process, noting that they had had both financial institutions that had bid and broker-dealers that had bid. He stated that the broker-dealers had to be in a position to know that they had a transaction at the time the commitment occurred. He stated that the commitment on this date had occurred at the pricing on this date and would be approved later in the evening on this date.

Mr. Kanter stated that normally this commitment would be evidenced by a bond purchase agreement, which he noted was structured and prepared over a series of days before a regular Council meeting, and that at the time they signed such agreement, they would ratify it that evening, and it would not be an issue, that the broker-dealers could write their tickets and do their trades, having waited that small period of time for the evening meeting of the Council.

Mr. Kanter stated that, however, in this case, because of the bid process, they had not known which broker-dealer they would be dealing with, and that for them to be able to write their tickets and close on their transactions, they needed to know before their close of wire time in New York if they did have an approved transaction. He stated that, therefore, they could not wait until the normal Council meeting time because that would, of course, have been after hours; and, also, that they wanted to have the meeting on the day of the bid, which, of course, was not a regular Council meeting date.

Mr. Kanter stated that, hopefully, that helped to answer the question as to why they had needed a special called meeting of the Council for this.

President Russell asked if there were any questions for Mr. Kanter.

There was no response.

President Russell stated that the proper public notice for this meeting had been given, noting that they had run two ads in The Huntsville Times, that they had put out a notice of the meeting on the prior day, and that he had personally called Mr. Steve Doyle of The Huntsville Times, so that they had done their best to assure that the citizens were aware of this meeting.

President Russell called for the vote on Ordinance No. 13-372, and it was unanimously adopted.

President Russell asked if there was any other business that needed to come before the Council at this time.

There was no response.

Upon motion, duly seconded, it was voted to adjourn.

____
PRESIDENT OF THE CITY COUNCIL

ATTEST:

____
CITY CLERK-TREASURER