

CITY COUNCIL AGENDA ITEM COVER MEMO

Agenda Item Number _____

Meeting Type: Regular

Meeting Date: 12/5/2013

Action Requested By:
Finance

Agenda Item Type
Ordinance

Subject Matter:

Debt Authorization

Exact Wording for the Agenda:

Ordinance authorizing the issuance of a \$6,460,000 General Obligation Taxable Refunding Warrant.

Note: If amendment, please state title and number of the original

Item to be considered for: Action

Unanimous Consent Required: Yes

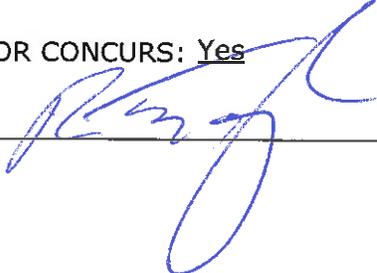
Briefly state why the action is required; why it is recommended; what Council action will provide, allow and accomplish and; any other information that might be helpful.

The City issued short-term debt in 1997 to purchase land in Cummings Research Park West, and has been refinancing the short-term debt every few years with local banks, paying it down like long-term debt. This warrant will refinance the 4-year 2008A debt due on 1/1/14, and continue the payoff over the final 9 years.

Associated Cost:

Budgeted Item: Not applicable

MAYOR RECOMMENDS OR CONCURS: Yes

Department Head: 

Date: 12/5

ORDINANCE NO. - _____

**AN ORDINANCE TO PROVIDE FOR THE
ISSUANCE BY THE CITY OF HUNTSVILLE OF ITS
\$6,460,000
TAXABLE GENERAL OBLIGATION REFUNDING WARRANT
DATED DECEMBER 20, 2013**

BE IT ORDAINED by the City Council (the "Council") of the City of Huntsville (the "City") in the State of Alabama as follows:

Section 1. Findings. The Council has found and ascertained and does hereby declare as follows:

- (a) the City has heretofore issued its \$8,955,000 Taxable General Obligation Warrant, Series 2008-A, presently outstanding in the principal amount of \$6,460,000 (the "Series 2008-A Warrant"), the proceeds of which were used to refinance the City's \$10,345,000 General Obligation Warrants, Series 2002-G, and \$2,130,000 Taxable General Obligation Warrants, Series 2002-H; and
- (b) the City has determined and deems it necessary, desirable and in the public interest to refinance the Series 2008-A Warrant, and has conducted a competitive bidding process for obtaining a loan in the principal amount of \$6,460,000 for such purpose; and
- (c) Bryant Bank (the "Lender") presented to the City the bid containing the interest rate and lending terms deemed most favorable to the City; and
- (d) the City has determined to obtain the refinancing loan from the Lender, and has deemed it necessary, desirable and in the public interest to issue and deliver the City's \$6,460,000 Taxable General Obligation Refunding Warrant, dated December 20, 2013 (the "Warrant") to the Lender as evidence of the obligation of the City to repay such loan, all as set forth and described herein.

Section 2. Authorization of Warrant. (a) Pursuant to the constitution and laws of the State of Alabama, including particularly but without limitation Section 11-47-2 and Section 11-81-4 of the Code of Alabama 1975, as amended, and for the purpose of providing funds to refinance the Series 2008-A Warrant, the City is hereby authorized to borrow from Bryant Bank (the "Lender") the principal amount of \$6,460,000 and, in evidence of the

obligation of the City to repay the money so borrowed, to issue and deliver to the Lender the Warrant.

(b) The Warrant shall be dated December 20, 2013 (which shall be the date on which the loan evidenced thereby is made), shall be issued as a single fully registered warrant, and shall be payable to the Lender. The principal of the Warrant shall be payable in installments on January 1 of each year, commencing January 1, 2015, as follows:

| Year (January 1) | Amount |
|-----------------------------|---------------|
| 2015 | \$625,000 |
| 2016 | 650,000 |
| 2017 | 670,000 |
| 2018 | 690,000 |
| 2019 | 715,000 |
| 2020 | 740,000 |
| 2021 | 765,000 |
| 2022 | 790,000 |
| 2023 | 815,000 |

(c) The Warrant shall bear interest from its December 20, 2013 date at the rate of 2.385% per annum, computed on the basis of a 360-day year of 12 consecutive 30 day months. Maturing installments of interest on the Warrant shall be payable on July 1, 2014, and on January 1 and July 1 thereafter while the Warrant is outstanding (each such date, a "Payment Date"); provided, however, the final payment of principal and interest on the Warrant due January 1, 2023 and aggregating \$824,718.88 shall be made only upon the surrender of the Warrant to the City. The amortization schedule for payments of debt service on the Warrant is set forth on Appendix I in the form of Warrant contained in Section 6 hereof. Matured but unpaid installments of principal of the Warrant shall bear interest after maturity at the rate of interest on the Warrant (said rate being 2.385% per annum as aforesaid). In the event a Payment Date is not a Business Day, the interest and principal due on such Payment Date shall be payable on the then next succeeding Business Day. As used herein, "Business Day" means each day other than a Saturday, a Sunday, or any holiday on which Lender's offices are closed for business with the general public.

Section 3. Execution of the Warrant; Registration. (a) The Warrant shall be executed and the corporate seal of the City shall be affixed thereto by the Mayor, and the City Clerk shall attest the same by affixing his signature thereto. The Warrant shall be registered in the records maintained by the City Treasurer as a claim against the City. Said officers are hereby authorized and directed so to execute and attest the Warrant, affix said seal thereto and make such registration.

(b) A registration certificate by the City, in substantially the form set forth in Section 6 hereof, duly executed by the manual signature of the City Clerk, shall be endorsed on the Warrant and shall be essential to its validity.

(c) The Warrant shall be registered as to both principal and interest in the name of the Lender and shall not be transferable except as set forth in the investment letter to be delivered by the Lender at the time of delivery of the Warrant.

Section 4. Optional Prepayment Privilege. The Warrant is not subject to optional redemption by the City.

Section 5. General Obligation. The indebtedness evidenced and ordered paid by the Warrant is and shall be a general obligation of the City for payment of the principal of and the interest on which the full faith and credit of the City are hereby irrevocably pledged.

Section 6. Form of Warrant. The Warrant shall be in substantially the following form, with such changes therein as shall be necessary to comply with the provisions of this Ordinance:

(Form of Warrant)

\$6,460,000

Dated: December 20, 2013

**UNITED STATES OF AMERICA
STATE OF ALABAMA**

CITY OF HUNTSVILLE

**TAXABLE GENERAL OBLIGATION REFUNDING WARRANT
DATED DECEMBER 20, 2013**

The City Treasurer of the **CITY OF HUNTSVILLE** (herein called the "City"), a municipal corporation under the laws of the State of Alabama, is hereby ordered to pay to **BRYANT BANK** (the "Lender") the principal sum of

SIX MILLION FOUR HUNDRED SIXTY THOUSAND DOLLARS

in annual installments on January 1 of each year, commencing January 1, 2015, as follows:

| Year (January 1) | Amount |
|-----------------------------|---------------|
| 2015 | \$625,000 |
| 2016 | 650,000 |
| 2017 | 670,000 |
| 2018 | 690,000 |
| 2019 | 715,000 |
| 2020 | 740,000 |
| 2021 | 765,000 |
| 2022 | 790,000 |
| 2023 | 815,000 |

This warrant shall bear interest from its date (December 20, 2013) at the rate of 2.385% per annum computed on the basis of a 360-day year of 12 consecutive 30 day months. Maturing installments of interest hereon shall be payable on July 1, 2014, and on January 1 and July 1 thereafter while this warrant is outstanding (each such date, a "Payment Date"); provided, however, the final payment of principal and interest hereon due January 1, 2023 and aggregating \$824,718.88 shall be made only upon the surrender of this warrant to the City. The amortization schedule for payments of debt service on this warrant is attached as Appendix I hereto. Matured but unpaid installments of principal of this warrant shall bear interest after maturity at the rate of interest hereon (said rate being 2.385% per annum as aforesaid). In the event a Payment Date is not a Business Day, the interest and principal due on such Payment Date shall be payable on the then next succeeding Business Day. As used herein, "Business Day" means each day other than a Saturday, a Sunday, or any holiday on which Lender's offices are closed for business with the general public.

This warrant has been issued pursuant to the applicable provisions of the constitution and laws of the State of Alabama, including, without limitation, Section 11-47-2 and Section 11-81-4 of the Code of Alabama 1975, as amended, and an ordinance adopted by the governing body of the City on December 5, 2013 (the "Ordinance") to provide funds for the purposes for which the City is authorized to borrow money under said sections and authority. This warrant evidences a valid general obligation of the City for payment of the principal of and the interest on which the City has irrevocably pledged its full faith and credit.

This warrant is not subject to optional redemption by the City. It is hereby certified that the indebtedness evidenced hereby has been duly and legally incurred and will at maturity become lawfully due without condition, abatement or offset of any description; that all conditions, actions and things required by the constitution and laws of the State of Alabama to exist, be performed and happen precedent to and in the issuance of this warrant, exist, have been performed and have happened; and that the indebtedness evidenced by this warrant, together with all other indebtedness of the City, was at the time the same was incurred and is now within every debt and other limit prescribed by the constitution and laws of the State of Alabama.

IN WITNESS WHEREOF, the City has caused this warrant to be executed and its official seal to be hereunto affixed by the Mayor and has caused the same to be attested by its City Clerk, both of whom have hereunto subscribed their signatures and are hereunto duly authorized, and has caused this warrant to be dated December 20, 2013.

CITY OF HUNTSVILLE, ALABAMA

By _____
Mayor

[SEAL]

Attest:

City Clerk

(Form of Certificate of Registration by the City Treasurer of the City)

I hereby certify that this warrant was at the time of issuance thereof duly registered by me as a claim against the **CITY OF HUNTSVILLE, ALABAMA**.

City Treasurer

CITY OF HUNTSVILLE, ALABAMA

Appendix I
Debt Service Schedule

| Date | Principal | Interest | Total Debt Service |
|--------------|--------------------|---------------------|-------------------------------|
| 07/01/2014 | | \$81,743.23 | \$ 81,743.23 |
| 01/01/2015 | \$625,000 | 77,035.50 | 702,035.50 |
| 07/01/2015 | | 69,582.38 | 69,582.38 |
| 01/01/2016 | 650,000 | 69,582.38 | 719,582.38 |
| 07/01/2016 | | 61,831.13 | 61,831.13 |
| 01/01/2017 | 670,000 | 61,831.13 | 731,831.13 |
| 07/01/2017 | | 53,841.38 | 53,841.38 |
| 01/01/2018 | 690,000 | 53,841.38 | 743,841.38 |
| 07/01/2018 | | 45,613.13 | 45,613.13 |
| 01/01/2019 | 715,000 | 45,613.13 | 760,613.13 |
| 07/01/2019 | | 37,086.75 | 37,086.75 |
| 01/01/2020 | 740,000 | 37,086.75 | 777,086.75 |
| 07/01/2020 | | 28,262.25 | 28,262.25 |
| 01/01/2021 | 765,000 | 28,262.25 | 793,262.25 |
| 07/01/2021 | | 19,139.63 | 19,139.63 |
| 01/01/2022 | 790,000 | 19,139.63 | 809,139.63 |
| 07/01/2022 | | 9,718.88 | 9,718.88 |
| 01/01/2023 | <u>815,000</u> | <u>9,718.88</u> | <u>824,718.88</u> |
| Total | \$6,460,000 | \$808,929.79 | \$7,268,929.79 |

Section 7. Sale and Delivery of Warrant. The Warrant is hereby sold to the Lender at and for a price equal to \$6,443,850 (representing the face amount of the Warrant, less a commitment fee of \$16,150 charged by the Lender), which shall be paid to the City at closing in immediately available funds. The City Clerk is hereby authorized and directed to deliver the Warrant, which shall have been executed, sealed, attested and registered as herein provided, to the Lender upon payment to the City by the Lender of an amount equal to the said purchase price of the Warrant.

Section 8. Use of Proceeds. Proceeds from the Warrant (less the sum of \$16,150 representing the commitment fee to be retained by the Lender) shall be used to pay and refinance the outstanding balance of the Series 2008-A Warrant.

Section 9. Closing Date. The date expected for the closing of the Loan and issuance of the Warrant is December 20, 2013. Should the Lender and the Finance Director of the City determine to close the Loan and have the Warrant issued prior to December 20, 2013, the date of the Warrant and the amortization schedule set forth in Appendix I of the Warrant (specifically, the amount of the first interest payment due July 1, 2014) shall be modified as mutually agreed by the City and the Lender to reflect the same. The Finance Director is hereby authorized and directed to act on behalf of the City for purposes of determining the final closing date for the Loan and issuance of the Warrant, and for purposes of taking such other actions as may be necessary or desirable pursuant to this Section 9.

Section 10. Documents Authorized. The Mayor, the City Clerk and the Finance Director, or any of them, are each hereby authorized and directed to execute such other documents or certificates necessary in order to carry out the transactions contemplated by this Ordinance.

Section 11. Creation of Contract. The provisions of this Ordinance shall constitute a contract between the City and the holder of the Warrant.

Section 12. Provisions of Ordinance Severable. The provisions of this Ordinance are hereby declared to be severable. In the event any provision hereof shall be held invalid by a court of competent jurisdiction, such invalidity shall not affect any other portion of this Ordinance.

(signatures on following page)

ADOPTED this 5th day of December, 2013.

City Council President
City of Huntsville, Alabama

APPROVED this 5th day of December, 2013.

Mayor
City of Huntsville, Alabama