City of Gahanna

Meeting Minutes

Finance Committee

Office of the Clerk of Council
200 South Hamilton Road
Gahanna, Ohio 43230

Michael Schnetzer, Chair
Brian D. Larick
Jamie Leeseberg
Karen J. Angelou
Ryan P. Jolley
Stephen A. Renner
Thomas R. Kneeland

Kimberly McWilliams, CMC, Clerk of Council

Monday, March 23, 2015 **Council Committee Rooms**

Immediately Following Committee of the Whole

ATTENDEES:

Present 7 - Brian D. Larick, Jamie Leeseberg, Karen J. Angelou, Ryan P. Jolley, Stephen A. Renner, Thomas R. Kneeland, and Michael Schnetzer

ITEM - From the Director of Finance

2015-0071 Finance Supporting Documents

2015-0072 Bond Information

1. Brad Sprague - Municipal Advisor to discuss Proposed Bond Issue

Schnetzer - A couple of items from the Division of Finance. We have a visitor today Mr. Brad Sprague from PRISM here to discuss the bond ordinance. Director Teal, I will turn it over to you. Can you give us a brief background, a quick fifteen, thirty second summary of the project.

Teal - I would like to provide an outline that Mr. Sprague has prepared regarding this deal. (Document distributed to Council). That outlines the new money and the funding component. Because this is the first time we've all been together to discuss this, we also wanted to make sure that any questions about the new money component which is the Detroit St. rebuild is answered because since the last time we've discussed this deal the City Engineer brought forward an additional portion of $650,000 that they wanted included in addition to the Detroit program related to the Morse Rd./Hamilton Rd. trellis component. So I wanted to make sure that was in the open and known and any questions about that position were answered. I know the city inherited the component related to the project so this would be completed with the new money deal. This evening we obviously want to walk through the mechanics and the timing of the bond deal. And we would also like to discuss a final detail that Mr. Schnetzer, myself, and the Mayor and Brad have been working on over the past week or so and we want to make sure the entire committee is aware of and can sort of weigh in and talk about this. If might help if we start broad with the specifics of the deal and then get granular with the open or remaining questions if that makes sense. I believe everyone's got their outline now. So I will turn in over to Brad. As a reminder Brad is our independent municipal advisor. He was selected by the city in 2012 through a competitive process that the Council financed, at the time I believe Mr. Larick and I can't remember the other Council members that participated in the process. He was selected from among many of his peers, and has worked with many of the best here in Central Ohio and has done just about everything one can do in municipal finance. He has been invaluable to us and I am excited to have him working with us on this deal.

Sprague - Thank you very much. Jen has handed you an outline of the deal that has been contemplated. And the deal will consist of two basic parts. One is new money for street improvement projects of five million, one-hundred and fifty thousand dollars which is authorized in the ordinance that is before you. The other piece of the transaction is a refinancing. A portion of two series of bonds. One, bonds that were issued in 2005, smaller pieces of refinancing of one million and thirty-five thousand dollars. Secondly refinancing of the bonds that were issued in 2007. Those are a little more hefty in size, six million, nine-hundred and seventy thousand dollars.

The new money portion of the transaction, the new project in today's market or actually Friday's market, the annual debt service on that piece of the puzzle would be about three hundred and sixty-five to three hundred and seventy dollars a year over the life of the bond which was estimated to be twenty or nineteen years. The interest rate that we would expect to see would be around three and a quarter percent. The average life of the issue is eleven years.

On the refinancing again as of Friday, we would expect the saving that the city would realize by refinancing those issues to be approximately six-hundred and twenty thousand dollars and those savings are earned over the life of the new bonds. A portion of the savings accrued to the benefit of the city and the present value of those savings which is how we normally look at these things is somewhere around five hundred and fifty dollars. This is called an advance refunding and under federal law what an advance refunding is, is if you refinance an issue prior to the call date of the bond, so you can't redeem the bonds right now, if you refund them more than ninety days prior to that call date, it's referred to as an advance refunding. If you do it within ninety days, it's referred to as a current refunding.

Generally speaking according to TFOA guidelines, which I pay some attention to, just according to general practice in the market. If you can't save three percent of your debt service doing a refinancing, you should probably wait, and the reason you should probably wait is the federal government in their infinite wisdom has determined that cities can only refinance their bonds on an advance funding basis once during their life. So you want to be sure when you take advantage of that opportunity, it's worth taking advantage of.

We estimate that the present value savings percentage on this transaction would be something in the vicinity of 6.9% which is well in excess of the normal benchmark in the industry.

Now when we do this deal we're not saying today or when you pass the ordinance we are going to do every one of these bonds. What we do is…bond issues mature, some of the bond issues mature each year. At the time of sale, we are going to look at the bonds that mature in 2016 to see if they make sense to refinance. We will look at the ones that mature in 2017. Do they make sense to refinance? So we can pick those candidates that we are refinancing right up until the time of sale. That is the proposal of how the transactions will take place.

Larick - Two questions, the 3% debt service improvement is that simply translating to our debt service is $100k, in the future it would be $97k?

Sprague - It is a percentage savings of the principal amount of the bonds that you're refunding not debt service. So if you are refunding a million dollars' worth of bonds it's 30K. If you are refunding 2mil, if I am doing my math right, yes 30K would be 3%.

Angelou- So for instance in series 2005 you are going to be refunding 1mil, 35k, so the savings is 37k which is at 3.6%.

Sprague - That is correct.

Angelou- Same thing on series 2007, 7.34% then calculated between the two at 6.09%

Sprague - That's right.

Larick - Forgive me, my question is probably going to be structured poorly but, with this all in, so the existing refinance, the future needed money, and our current cost of the 2005, since we re-did those in 2013, how does that total debt service compare to what our debt service was before we did the original refinance in 2005?

Teal - That's a fair question, so we would annualize at that present value savings over the period of the refunding. So through the end of the last maturity of the '07s we would…we have a decision to make would we want the level…. Part of what we can do is decide to determine if whether we want level savings year to year or do we want to stack the savings more in one year or you can manipulate that. Last go round we opted for level savings. In this go round, in the first few runs of the numbers we've done, we've also opted for level savings I think in the long term from a sustainability standpoint, it is important to spread that equally. Off hand, and I don't have that in front of me, I believe the last deal saved us about 45k a year in cash. This year would save us something in that similar ballpark. So if we had done neither of the refundings, the one two years ago or this one, it's fair to say that we would be spending 90 to 100k more a year in debt service than if we didn't. We've already done the one and we will be adding this one too.

Larick - Right. And then the incremental for the new money is how much? In debt service?

Teal - It's 365 to 370k a year.

Schnetzer - And Jen I'll just add to your comment for the sake of clarification. For the record that level of saving is sort of market convention. Taking the savings in each individual year she's exactly right. You can structure the deal. You can either frontload the savings or backload the savings. You often see that done if there's a project or a need for cash flow in a certain part of the annual forecast. But in our case I think the level of that savings makes good sense.

Sprague - Now that's going to change over time because the new issue is going to run out in twenty years. And these refundings are going to end. Those debts will be paid off before then.

Angelou- Could you explain the negative arbitrage?

Sprague - When you do a refunding, 2005 bonds are not called, you can't redeem them until December 1, 2015. The 2007 bonds cannot be redeemed until December 1, 2017. Between today, or when we do the deal and the time those bonds are redeemed, money is placed in an escrow fund so you are no longer responsible for those bonds and that escrow is invested until the date that the money is needed. Unfortunately, in today's market, we can't earn as much on the investment for two years as we're paying on the bonds. We are talking about a one or two year investment and issuing bonds for a longer period of time. That difference between what we are paying and what we are earning is called negative arbitrage.

What it really means in practical terms is; if we waited until December 1, 2005, to do the 2005 refunding and interest rates were exactly where they are today, we'd make 11,800 dollars more in savings. In the case of the 2007 bonds if we wait until December 1, 2017, and interest rates remain exactly where they are today, we would make an additional 276k. I think most conventional wisdom, I won't even call it wisdom, conventional practice, is that when we can save 5 percent and when negative arbitrage consumes something less the 50% of impending savings, proceed with the transaction. Because we could wait two years to refinance those bonds, and end up with nothing. But you don't want that number to be so big that you're giving up most of your potential savings. Does that help?

Angelou - Yes.

Schnetzer - Just to add to that, Karen another way of looking at it is because you are not earning the same investment return that you are paying out you end up having to issue more principal than … so it's not a direct one for one. So the debt issuance becomes a little bit larger because you have to buy more treasury securities which are paying a lower yield and throw those in the escrow so that the principle, interest , cash flow etc. go on to legal ease your debt service.

Sprague- You don't want to legally be responsible for both issues at the same time. Once the money is put in the escrow account, the escrow is responsible for paying the debt service redeeming the bond. You are only responsible for paying debt service on the new one.

Angelou. - Thank you very much.

Schnetzer - Are there any further questions for Jen or for Brad?

Teal - Any discussion about about the new money component the project and the work that we anticipate accomplishing with the new money. The new money component really means that we get something of value here in the community and that's new for us. We haven't done anything like this since 2007 and I want to make sure if there are any questions about the purpose or the use of the funds that you know that we are here to answer any questions, concerns or thoughts that you all have.

Leeseberg- Just some clarification questions on the numbers here. So we are saying that a nominal savings of 620k we subtract the negative arbitrage from that to get a final total savings.

Sprague - The savings that's shown as nominal savings and present value savings are after taking in the negative arbitrage.

Leeseberg- Ok. Perfect. I can see the nominal savings over the life of the bond. Are we going to be saving debt service annually by refunding?

Teal - So what we didn't provide you with were a run of the numbers, but in the last few versions that I've seen we would be looking at a number between 40k and 60k again depending on the structure of the deal in annual cash savings, that's money we're not paying out on debt service that we would have been if we did not do the advance refunding.

Leeseberg- Okay, so then we are looking at something in the neighborhood of an additional 320k to 330k additional dollars a year in debt service?

Teal- Right. And when we built a sustainable operating model we knew funding Detroit St. was important and we wanted to determine the best way to do that. The annual anticipated cost for 13 years was one million dollars per year in order to get the program completed. We looked for alternatives or ways to spread that and to make that fit in what we knew our revenue productions and our resources would be. Bonding a third of these projects brought the debt service into that ballpark along with knowing that we would be doing a refunding hand in hand. So we put both of those together in a sustainable operating model we looked into our five year forecast.

Sprague - To your question on the refunding of the 2007 bonds we'd save roughly 45 to 48k a year and every year between now and 2027 which is the date of the final maturity of the bond. On the other issue, which is much shorter, the only bonds we are refinancing in 2005 are those that mature in 2016 and 2017. So there are only two years there and we are saving roughly 18k dollars a year. The reason there are only two maturities there is that was the bulk of the bonds that we refinanced in 2012 and those maturities weren't included because they did not work at the time.

Schnetzer- So Teal, to get back to what you were saying about the Detroit St. rebuild and what we're looking at, a million dollars a year for 13 years right?

Teal- Right. If we were to pay cash. Alternatively phasing in first third of the most critical streets to get service for those is what we're looking at here.

Schnetzer- So then my next question is, what is the plan for the next 2/3rds of the streets and how does the debt service level we're looking at of 370k for 20 years for this issuance, when we add another 1/3rd we're saying another 370k we are looking at, at some point in the neighborhood of a million dollars each year for a certain number of times?

Teal - So we wouldn't be doing this again for about four years because we anticipate a three year construction program on these streets which speeds up the process substantially even where we would have been if we had funded a million a year. I don't want to say we are going to kick the can for four years, but it will give us some time to assess, what is our revenue environment then into three years from now. And how are the worst shrinking streets now falling out. Does it make sense to do another chunk this way? Do we have room from a revenue environment standpoint to take on the next piece or are we in a position to take up another plan. My gut tells me that four years from now we will be ready to take the next step, and take the next third. That will depend on market conditions, road conditions, and cash conditions, all will be monitored very closely.

Jolley- So. Saying that we do that, my question is, and I certainly understand that we can't look too far into the future but once we get out to the third of these projects, we are at a million dollars a year for six or eight years? So we're just going to… and I'm not saying if it is good or bad, we're essentially going to have to make those decisions every four to five years?

Teal - Yes, this allows us to ease into that while our revenue stabilizes.

Dottie Franey- If I can interject in the meantime every five years we would reevaluate our 25 year outlook and so there would be a couple of things going on. We would be checking the conditions of the streets. We would be monitoring our financial situation, we would be our 25 year outlook and as you say it gives you time to kind of re-evaluate where do we need our money do we need as much as we thought we would or not, things like that.

Schnetzer - Perfect, I think that's all the questions? Brad, you said that we could only do this once?

Sprague - You can advance refund the money doing what is called a current refunding as many times as you hit that call date. It is new money bonds, 5 mil or part of it. They're going to have a call date known as an optional redemption date of 2025, ten years out. Now until then, if an advance refunding works saving sufficient money until then. If it doesn't in 2025 you could probably do a current refunding and you're not restricted in doing that once, you can do that as many times as you come up on that call date. In a lot of instances that will work even if rates kept going up a little bit because in 2025 you will be looking at tenure issue being half way through the life of the bond. Ten year bonds have a lower rate, all things being equal, than looking at twenty years.

Larick- One other question. On all the refunding, are there termination dates going to remain the current termination dates?

Sprague- Yes.

Kneeland - I have a somewhat unrelated question as it comes from the Service Department side and also just the administration side. Right now we're talking about street projects, which is what this funding is for, the street programs. Obviously, we've got proprietary funds for sanitary and storm water. What about our lands and buildings? Are there predictions on what our shortfalls are going to be on those? Any capital improvements that we have to do to those? How do we deal with that financially if we tie this up in street funds?

Franey - We don't have hard data on what type of maintenance we will have in the future. We have included in our capital projections some money for HVAC systems that we believe will need replaced. We have anticipated some of those major systems. The biggest thing that's out there is our operation complex and the need that they have. In our capital planning we have actually both Option A, and Option B, for whether or not we would build a new facility, or if we we're going to renovate the existing facility, and things like that. We have some of those on paper, but that's about as far as it goes.

Jolley- So we really haven't talked about any kind of financing for any of that.

Leeseberg- Well I know. That's why we're finding money right now for the street program, what do we do about those types of things? Are we still looking at bond for those types of things down the road?

Teal - I think it is fair to say if we looked at our five year plan, and identified the most pressing capital improvement for part of the 2015 budget process, we selected projects I think truly with this contract due, and I know it's boring to rehash all of this, appropriate usage of ongoing funds; street programs are ongoing programs. So laying this into our ongoing operating model such as we have with the step service for the Detroit St. made sense because for thirteen years, we would have had this on-going expense, versus a one and done big project like the operating center. That in my mind really comes down to that conversation about appropriate use of onetime resources and we have a substantial amount of onetime resources available to contemplate for use for such a project and I believe my read on where Council and the Administration has come in the last year is leaps and bounds in terms of understanding all the variables of those conversations and would imagine as we come on this next budget cycle, which it hurts me a little bit to think about, we will be in a much better position to talk about those priority capital projects in the context of knowing what we have available. And knowing what our other options are. I think you will see more conversation about projects like that, in that context moving forward.

Jolley - Correct me if I'm wrong but we don't necessarily project a quarter million operational going five years out. But getting back to Tom's question, to the next third or some other streets that need to be repaired, we don't have an ODOT match? Frankly there isn't room, or am I wrong.

Teal - Frankly you were saying it a different way. In the long run in our current production no, which is why we would use one-time resources and we have many for a project that is a one-time project. If we're going to match an on-going operating expense for an on-going operating program, that's where it's our job to find room, to make the hard choice to find room in our operating model to make that happen. We've always been hesitant to do it in the past but it's come up many times as we talked as projects fall, we can just bond it! Sure! It would be must cheaper this year, but fifteen years from now I can't guarantee that we can pay for it. That's my job, to be able to say fifteen years from now can we still pay for it and when we still have other resources available I can't guarantee that we could. I'd vote cash. For a one time project like that I vote cash. In this instance we've built model note with the intention of a deal of this nature to be included, but no additional deals of this nature.

Schnetzer - For the record, debt service within the State of Ohio is not optional. It can't be cut or deferred or delayed or anything like that. The statutes of the State of Ohio are very strict about that. So I just want to caution against giving the misconception that we can just bond anything, accept what we have to pay for. For what I've seen in the budget document it's not there beyond the current bond ordinance.

Leeseberg- Since we're paying off the old bond, and creating a new bond?

Schnetzer - They're legally received in a lower interest rate.

Leeseberg- Is this a fair dollar amount for our debt ratio?

Schnetzer- Yeah, we are taking on 1.5 million in additional debt.

Leeseberg- Is that going to affect our rating?

Schnetzer- It could. It's one of the metrics that Moody exclusively monitors, however my understanding of their scorecard is, as they call it, it is not necessarily… It is not a pure calculator as if you punch in a bunch of things and it spits out a rating at the backend, no. There is an above the line score and a below the line score. An above the line score will give you an A rating credit, but then they go to credit committee and the come in and talk to Teal and they talk to the Mayor, and then they look at how the City is managed. They will notch your rating up and down. Jen, I don't know if you have anything to add to that now that we've been in contact with Moody.

Stinchcomb - You've talked to them about this?

Teal - No, not about this deal. We talked recently with regard to the tax lawsuit because they wanted to make sure they knew all the facts about our potential position there and did that change our bottom line as a city in any way, were there risks that affected our credit rating and they made no change to our credit rating based on the information that we provided.

Schnetzer - So Jamie, to answer your question I just pulled up a quick iPhone calculation and 5.15 million over roughly an assessed value of roughly 900 million dollars is six-tenths of a percent, so our debt-to-asset value which is one of the metrics that they would look at as our indebtedness would not even increase one percent so I don't foresee them notching us down due to any additional indebtedness, again, it's not a pure calculation but it's qualitative.

Jolley- The discussion that we just had then. Just to clarify, once we do this deal, then what's our appetite for additional debt load? What capacity do we have for additional debt load?

Stinchcomb- That's two different questions.

Teal- It is to the legal limit, so we could legally.

Jolley - I'm talking about what we could actually use?
Teal - Right, so we could, we could use a lot, we can afford to pay for none on an on-going basis. And that is the point that we have been stressing.

Kneeland - So, how much can we actually pay for?

Schnetzer - Well Tom I think you actually have to make a distinction, right now everything we have outstanding is LTGO, or Limited Tax General Obligations that's un-voted, and that's got to fall in that 10 mil limitation that we discussed a couple of weeks ago. We do have the ability to put a bond ordinance in front of the voters and have them approve it.

Kneeland- Well let me be real specific, without any additional voltage or millage or additional revenue how much more debt can we take on and still be in the black?

Teal- None

Kneeland- Thank you.

Angelou- Mr. Sprague is our advisor, would you advise this as something we should be doing? Or don't you advise it?
Sprague- The City of Gahanna can hardly be viewed as a city that borrows money "willy-nilly". I don't think the debt piece of this is going

to challenge your rating in any way. If anything would challenge your rating, it's going to be that you should have a good explanation of the operating budget of the city going forward. They're not just going to look at your ability to pay the debt but your overall financial liability. Last time we did a bond issue in 2012, it was just prior to the time that you placed the income tax on the ballot. Obviously we all know what happened with that. But that question is going to be raised again and I think it can be addressed, that is the biggest thing that is challenging and it's the on-going operating system. Are you going to be able to maintain a balance up to the levels, I think, quite frankly they put too much weight on that nevertheless they are the ones with the rating system.

Should you choose this deal, it has so many elements woven into it in terms of the importance of the project, I think you have the ability to do the project. It's really a call that you folks in Council will do if you go forward or not. I definitely think it makes sense to do the refinancing to lower the debt service. That's taking money off the table. Is now a good time to be borrowing money? Yes. The fact of the matter is the treasury bonds bottomed out a few months ago.

Schnetzer - Karen just one more thing to add to that. In my opinion, not only is it appropriate, but it is suitable to issue what is effectively a long term liability to pay for a long term asset. If we were contemplating issuing a twenty to thirty year debt to purchase a dump truck, that has a five or six year useful life, you're mis-matching your assets and liabilities. To pay for streets and sidewalks with twenty or thirty year debt is pretty common. Used appropriately or favorably, by other investors, it doesn't even raise any eyebrows.

Larick - One other comment with regards to streets. This weekend I happened to drive thorough what is all of Three D, Point Ridge, Rocky Point North essentially every street in that neighborhood. I didn't realize I think the majority of the streets in that neighborhood, if not the majority of them there is a section of Flintridge, the whole street is really bad. Along with the curb you can still see that they become gravel.
Two things about that. One is the realization of a street that I hadn't seen before in regards to that need. The other part is that there is a need to get through some of them fairly soon.

Stinchcomb - I think when we look back to our priorities and what our administration counts as important, streets are one of the basic things we do. When we take a look at capital issues, at least in my view, it's a fundamental responsibility that we have. Citizens have an expectation.

Sure there are a lot of things we'd like to have but in my view what is basically essential to the local government is the quality of streets. When we take a look back at our priorities, which is why we chose this as opposed to some other things that we would love to have. I know this is a very basic statement but it can't be under emphasize how important making sure our streets are in good condition. Our citizens expect that. It is important to property values, how well our cars last or don't last. We're getting lots of complaints about the chuck holes you know so, it is definitely a concern. It is an essential responsibility over a lot of things we'd like to have. That goes all the way back to the simple statement of why we did the operating model, to include the projects that we did and some other things.

Larick - This is a perfect segue into my next question. I agree that streets are one of the most basic things that we do and this goes back to the question regarding how much debt we can take on and the intervening, none.

Stinchcomb - Things do get paid off.

Jolley - I know they do and… are there, given what we have in the bank, and what we have laid out for the sustaining operation model, in the operating capital that we're looking at, that we've been working on for the last couple of years, the forecast, is there absolutely nothing else that we might take advantage of giving at this time I'm thinking things like trails that do have a long term life and I haven't looked at it specifically because I wanted to get more information on this first in terms of what our actual capacity would be to pay off or to service the debt if it is compared to what we have potentially budgeted for the next five years etc., and to your point about using cash versus debt, we don't have a million dollars a year sitting around for the next thirteen years but at the same time that thirteen million dollars versus looking at a very basic one third, one third, one third, somewhere in the neighborhood of twenty-two million dollars, so I was just wondering is this, I'm not saying double this, but what if we went to five and a half or six, or even six and a half. What does that look like? Are there things that we could do kind of easing into it versus trying to do it with cash?

Teal - We had actually contemplated including a trail completion project. And you might remember from our budget document in the original conversation, we did indicate that we would be including a trail in this as well.
So I did misspeak and kicked myself under the table for it. When we say there is no capacity whatsoever, the model was built actually anticipating that we may have done the trail piece as well. We've had

other economic bits and pieces in it and frankly the quarter is almost done and frankly it is time to get back into the numbers; project out where things are again.

At the time we were contemplating whether or not to include the trail completion what we ultimately came to was the spending window the need to get the funds spent before the end of the three year window, that they would not likely be ready there and then the opportunity or the likelihood of receiving grant funds suggested that may not be the best use of that cash, or maybe it could be, those are big questions, a lot of questions to pull the trigger on a deal next month are too many in nature. When I say none in terms of capacity for future additional debt what is important to come to is we will always be looking at where we are today, where we're going, what we've got. We know many of our existing costs will continue to grow over time. We know right now that our revenue is tracking at a fairly at a fairly consistent pace with where those expenses are growing, but we also know that at any moment, we could lose an employer, we could gain a great employer or economic development efforts could pay off and our revenue could change substantially or the citizens could band together and come up with a new mechanism for funding mechanism for something or other. So the environment could change at any moment. Based on where we were working the budget last fall, we didn't feel comfortable adding any other one time projects in the mix. Our focus at that time was to say, what are our core services and yes we will use debt to fund those core things moving forward and those things that aren't core or are enhancements we would use one time resources.

Jolley - Thanks. You make a great point with the grants concerning the uncertainty around those.

Stinchcomb - If you have cash you're not going to get a grant.

Jolley- Right absolutely, that certainly is true. I appreciate that and that is why I was asking the question. I know there are other factors and that's a huge one for those types of parks and recreation items.

Teal - And with relation to the timing it is probably worthwhile to mention we've requested first reading and we have a technical detail about the ordinances that will hit next.

We have requested first reading on the April 6, with the opportunity to come back to committee on April 13; second reading on April 20.

And that our current timeline would indicate if we had second reading and approval by Council on April 20, we wouldn't sit around. We would actually pull the trigger very quickly, as early as April 21, and attempt to get the bond sold within a week or so thereafter so that we could actually move very quickly to get our complete deal completed cleaned up and in the books before Memorial Day and to make sure that from a great environment standpoint we're taking advantage of what we've got right now before anything shifts.

Stinchcomb- And to add to that we also have to think practical realities, we need to do these projects during the season. The General and I were talking today on how we get people frustrated when things don't get done before school starts and we have buses rolling on those streets so timing is important on this you know so from a safety standpoint I would like to take advantage of the construction season. So we really try hard to rebuild and to try to get them done, if possible as quickly as we can before school starts. So timing is of the essence.

Jolley- Can I ask one more question real quick. And this has probably been discussed and I am just blanking on it. When we're looking at some of the streets in the neighborhood we're talking about, are we going to be investing in sidewalks there? Is that going to part of that funding? Or will it have to be something separate if we decide to do that?

Priestas - There are some roadways that lack sidewalks, Flintridge for example that we will incorporate sidewalks in front of those projects.

Jolley- That will be paid for with this money as well.

Priestas - Yes

Schnetzer- With that being said going back to the question that Jim was alluding to, is not so much to do the deal or not do the deal but the method behind pursuing the deal and Jen, you alluded earlier to some conversations that we had had this week about broadly speaking there are two general ways to move forward to bringing a bond issue.

One is known as the negotiated method of sale where effectively an underwriter is selected after request for qualification, request for proposal. Another avenue that can be incorporated is known as a competitive method of sale, where bids are solicited, bids on the bond issue are requested and received on the sale date. You do not move forward with an individual underwriter. Brad do you have anything to add to that? Is that a fair statement about the difference between the two? (Yes) As the bond ordinance is currently written, I believe the recommendation to move forward is the negotiated method of sale, am I correct? (Correct) Okay.

One of the questions I am trying to I guess find justification for is in this particular instance why the negotiated method of sale is viewed as the appropriate or the best forward, I'll preface that with there is some cursory research that I've done that has me leaning more toward the competitive side not that I am in transition or can't be swayed one way or the other. I guess I'd like to hear, and I think it would be beneficial for the rest of Council to hear why the recommendation is to move forward with the negotiated method.

Sprague- Well first of all, I don't have any vested interest in either form of sale. I've got a fiduciary responsibility to the issuer. The underwriter, whether it be through a competitive sale or a negotiated sale, especially in the case of a negotiated sale, they have two sets of customers, you and the person you're selling the bond to. They don't care about the person you're selling the bonds to other than they're getting the proper information to make an informed decision.

Virtually all, eighty-five percent probably of the sales done in the State of Ohio are done on a negotiated basis, where an underwriting firm or a team of underwriting firms is selected, it doesn't make it right. I think personally the debt percentage is way too high. That there are issuers such as yourself that can access the competitive market and do so very effectively.

This particular transaction is a little more complex because of the fact that we are putting the refunding on at the end.

We want to know at the time the bond are sold, that each and every maturity of each bond issue at the time of sale, to see whether they're saving money and how much money they're saving, and if it is the appropriate amount. It is much easier to do in the case of a negotiated sale because in the case of a negotiated sale you are working with the underwriter and they are telling us this is where we think we can sell the bonds then we can look at the savings and say that works or that doesn't work.

On a competitive sale we're advertising, and saying at eleven o'clock next Tuesday morning, give us your best shot. We don't know 'til 11:01 if they gave it their best shot. It's a little more…. It's not impossible, but trickier to do than adjust the sale after bids are received. But that doesn't mean that it can't be done. We have advised on competitively bid advance refunding transactions. They're a little more nerve wracking than the typical deal. If you were doing five million, one hundred and fifty thousand dollars for street improvements, and you wanted the debt structure or sale amount due every year, let's do it, let's have a competitive sale, and let's finance it.

The other one component, and I'm still not fearful of doing an advanced refunding sale that way either, other than what we discussed earlier, when these bonds are sold; the proceeds are then invested into an escrow account. And the way that that is normally done, is there are federal treasury securities known as State and Local Government Securities or (SLUGS) is the acronym, and the Treasury Department publishes their rates at 10:00 every morning and you know… and they structure the securities you're buying to meet your precise needs and so you know what you're investing in at that time.

Unfortunately due to the process of the federal debt limit, you don't have a problem with your debt limit, they do, the purchase of SLUGS has been postponed or they're closed. And they are closed until the debt ceiling gets fixed which means not only we would be refunding the bonds on a competitive basis but then we would have to immediately turn around and accept competitive bids for the escrow. Is that impossible? No. It's just tricky that's all.

And especially on a deal of this size one of the concerns is it is a lot of money to you, considering a smaller deal. I am a little concerned. When you go out and get bids on an escrow, you have to receive three bids. I'm a little concerned about that on a deal that is smaller. There was an article in the national press I think Friday.

I know that you're a strong advocate of competitive sales, so am I. I wish that far, far more issuers used that method of sale than the negotiated sale. I think you can get a good deal either way. I think we know where the market is and we can push the underwriter as far as they can be pushed to get us to that right number.

You gave a great example of two deals that were done within three days of each other one for the City of New Albany and one for the City of Powell. Powell competitively bid their bonds; New Albany negotiated their transaction. The Powell deal quite frankly was unbelievably better. Thank God we were the advisor on Powell. But that was a competitive sale so that was not a situation where we're pushing the underwriter to get a better rate. We put it out to bid and looked at the bids that were received.

Why did we do Powell on a competitive basis? They were triple rated, the market was in fairly stable condition, they had previously done their deals on a negotiated basis, and they were ready to test the waters.

Could you have a successful sale competitively? Absolutely. It's simply the intricacies of doing a refunding that makes me a little bit nervous.

Angelou - Is it possible to split those out and do them separately? The refunding as one?

Sprague - We talked about that and you're going to be repeating some cost and they will be considered two different issues. You're

going to pay two different rating fees. It's going to be double. It is going to be more than what it would be for the single sale. Your bond counsel is going to charge for two things. For two sales. So yes.
Angelou - You could do the one for the streets as competitive.

Sprague - But you're going through the whole process twice.

Stinchcomb- Double money.

Teal - The additional cost would offset a couple years of receiving, likely.

Schnetzer- Karen the question that's being asked, and Brad I believe that you would probably affirm this, a competitive deal all things being equal is most likely going to give you, not in every instance, but probably as little as 51 to 49 percent but probably going to yield lower cost of debt service. The question, is that spread or that delta enough to defray the additional…. and you'll have to pay Moody twice I think they may have a break point, if you are doing two deals.

Schnetzer - You can get a discount on second ratings.

Schnetzer - I think they have to pay bond counsel twice; they're going to craft two bond issues so are the incremental savings enough to defray the costs? When you run the numbers, no it doesn't make sense.

Sprague - I think you choose a method of sale and then do the deal and get it done. I think that one sale makes sense and like I said we can do it either way. You have done your research. The city has best practices. I concur with everything that has been said. I have said it is a simple deal. The market is very stable to go competitive. City has a good credit rating to go competitive.
We went through a period in 2012 where people got no bids. We're not in that environment now. That is one of the things that has to be considered. The only thing that drives this deal toward the negotiated side of the ledger is the intricacy of doing an advance refunding.

Stinchcomb - Let me ask you a question. When we were talking in our phone conversations we were also talking about just the level of risk and I wanted to talk about that a little bit. Is there more risk to doing a competitive sale on the refunding portion? What are the chances that we might end up having to pay more or cancelling the sale at the last minute?

Sprague - Quite frankly you'll never know.

Stinchcomb - And that's why I'm going to risk because we are really trying to lower the risk that is what I'm trying to calculate.

Sprague - But in complete fairness there is no way to tell you that you will get a better deal if you don't negotiate. I mean it is really pick your preference, your way of going like I said I think that one characteristic of this transaction is that I prefer to do it negotiated is right up to that date of sale we can say let's look at that 2018 bond maturity of that bond issue. Does it make sense? Yes or no. Let's look at the 2019 yes or no? With some degree of precision because we are going to know where… the underwriter is going to tell us where they can sell the bonds. In a competitive sale we are not going to know that. We will not have that information. And we can do a pretty good job of guessing what the rates are going to be if bids are taken. I think. But were not going to know. That is my concern. But that is my only concern. I think this community is perfectly capable of selling bonds on the competitive market.

Leeseberg - In my world, and Stephen's world, and Dottie and Rob's world we bid things all the time and if it's not within a range or good investment, if we can't afford it, we don't award it. Doing it competitively, is it binding when we get those bids?

Sprague - Binding? No. Do you want to take bids and reject them and try to go back the following week? I think that hopefully we're smart enough that at least we know that deal will work.

Kneeland - Anything that would affect a competitive bid, would affect a negotiated bid theoretically?

Sprague - That is correct.

Stinchcomb - But if I am understanding this right, if negotiated you can right up to the moment and say no.

Sprague - And we could pull the bid and end the sale.

Stinchcomb- But pulling the bid is worse than deciding not to?

Sprague - Pulling the bid is okay just don't take them and then reject them all.

Stinchcomb - Okay. I see what you're saying.

Schnetzer - So on that topic Mayor, I've worked in the industry for eight or nine years now and it is not unheard of for a myriad of reasons in a competitive situation to pull a bid. Probably in the most common situation the numbers don't work. They may have shifted on that day, you go back and do your calculations. Following your example, if your sale date is 11:00 on Tuesday, you pulled the deal on Monday, you walk it out until Thursday so you can get back on the underwriter's calendar with a 48 hour notice.

We had a big snowstorm in Boston and earlier last year New York was shut down because of the snowstorm. When all the market participants aren't in the market that might be another reason to postpone. If a finance director has a flu, you could theoretically postpone.

Jolley- I think the primary difference between the two is one is, correct me if I'm wrong Brad, but you are running the numbers up to the moment of sale, in a negotiated situation.

Sprague- That is correct.

Schnetzer- In a competitive sale effectively you are running your numbers up to about 24 hours.

Sprague- It is the time and it is also the degree of precision. In a negotiated sale, we know where the underwriter is going to offer the bond. In a competitive sale we think we know when the bids are coming, but there is a little bit less precision.

I don't believe the situation that occurred in New Albany and Powell would occur here. Could you save a few more ratings points if you went competitive? Maybe.

Jolley- I think that is the question at hand; what could the savings be. I only included that one, it was one of the few examples in the State of Ohio where you had two issuers in the same MSA that had similar demographic backgrounds, similar ratings entering into the same type deals. So it kind of came together there that those two worked out. But they were also as you pointed out egregiously far apart in their true interest costs.

There are others one in there in that situation, Cleveland City Schools and Newark. They are a little bit further apart. The ratings aren't really the same but again it points to a more favorable borrowing rate for competitive. I will concede what you are saying is true perhaps there is less precision. What I'm trying to quantify personally is that precision worth five, ten, or fifteen basis points.

I brought some numbers myself and it seems like the DV of one, the dollar value of one basis point is we are talking anywhere from eleven to fourteen thousand dollars depending on where the yield scale is so five basis points is sixty or seventy five thousand in total debt service over the life of the loan you know 10 basis points is obviously significantly more. What is the option that we are reserving by going negotiated and then what is it worth? And then that is all premised on the basis that competitive would theoretically get us a better deal so that is what I am trying to quantify here.

Kneeland- Yes. I guess for those of us who aren't looking at the market on a daily basis and deal with this like some of you all do, I think Mike brought up some of the points that I was going to ask because depending on what the delta is between the amount of savings that we could see between them I mean, if it is as significant as he says, literally that could be a position here we're talking 75k dollars or whatever that is.

Sprague- Just for the record that is over the life of the loan.

Kneeland- I understand but still is a fairly significant number and depending upon what basis is the difference, do we have any estimates on what the current rates are and how the variations are that we could potentially expect? I admire Morgan Stanley when they give me an IRA rate, like here's what you should expect and I assume that we would receive kind of the same thing. We're looking at sale of bonds; it's definitely something we should look at.

Sprague- The projection, and I think it's a little bit conservative at this time, but what we talked about earlier on the refunding that's based on the rate of today's market.

What we do on a negotiated sale, at the time of sale, is we look at the market, through Bloomberg, Thompson Financial, we look at all the deals that are going on in the market, and we pull deals that we believe are comparable to yours, and the underwriter provides us with the interest rate scale they think they can get with deviations from what we see when we come up with our own scale. With their deviations they have to justify, and sometimes there is a justification as other markets are compared. Justifications can be different from state to state. Certain states trade better in the market than others. The tax rates and other factors. Then we watch closely at the orders the underwriters get. For a two or three hour period they are taking orders on bonds. Once we reach a preliminary standard, at the conclusion of that process he's either got more orders than bonds, as the rates were too high and needs to be lower.

In a competitive sale that process does not exist. I'm not going to argue with the academic research. All of the research is very satisfactory.

There is nothing like the difference between New Albany and Powell,

but you'll do a little bit better day in and day out.
Let's face it; there are unscrupulous negotiating underwriters out there. Most of them aren't but there are some.
One thing I can say the firm that you hire, if you hire them to do a negotiated sale, will do a real good job. Does that mean that they will be as good as what we've would have gotten in a competitive market? No. If they were they would buy every deal. But they are pretty good.

Jolley- I heard at the beginning, your firm manages both, competitive and negotiated.

Sprague- Yes
Schnetzer- On that note on the current supposed underwriter, they would have the option or the ability to bid the deal as well? (They sure will). They could go out to their investors and solicit sales and come back and do so also. Brian, you had a question?

Larick- Brad, on a couple of occasions you noted that to wait to negotiate is driven by the complexity. What is the complexity? What are the items?

Sprague- The complexity in this money transaction is zero. With the new money there is no complexity.
With the refunding there are two components. Number one, we like to review each candidate right up to the time of sale. Number two it appears that we are going to have to take competitive bids on the escrow account versus simultaneously with the sale of the bonds. Those are complexities. Like I said, we can do it. I would feel a little better if we could purchase those state and local government securities that are offered to the treasury, and maybe we will be able to if the debt ceiling issues are resolved. They are not selling them now.

Larick- Who is concerned with the complexity? Is it the buyer or is it the seller?

Sprague- The seller. Actually I will be more specific. There has to be an exact match on a refunding. You cannot over borrow so that escrow account has to precisely fund the candidates that you're refunding, and I'd hate to see something go in that doesn't belong in or vice versa. It's easier to liberate and work with an underwriter. It doesn't mean that is what you are supposed to do, but it is easier.
Teal- I may have oversimplified this, in that case I apologize. I'll go home and go to bed, but what I get from all of this is that the advance refunding component makes it such that knowing exactly what the

deal with the underwriter would be ahead of time if we were to do a negotiated sale would allow us to know exactly how much we would need in our escrow account to pay those off because we know exactly what the rate is going to be of the bonds that we are issuing.

But because we don't know what the rate is going to be of the bonds we are going to be issuing, we don't actually know how much money we need in the escrow account.

So we have these two, a mean we are very, very close but we have these two sort of numbers that are both a mystery until about the same moment.

There is the possibility or the risk that the competitive bids we open for the bonds, could be- Oh! Well we grossly underestimated how much we needed in the escrow bids or we overpriced it so that we don't exactly know how much we are going to get in proceeds and we don't exactly know how much we need in escrow for the two-one mils we are trying to marry together. In my mind that's the real crux of the complexity of doing a refunding of an advanced competitive sale. We've had a lot of conversations about relative risks and what are our goals and we're trying to take a conservative approach. Sometimes there is not a good financial reason but if you want to be the trailblazer … you might want to stay with convention, but is it right? Convention because it is the right thing to do or it is easy or for whatever reason. I have been conflicted with do we do things the way they always get done here in Ohio which is to do a dance for funding through a negotiated sale or do we step in front and take the risk that things don't match or that the bids don't come in quite how we'd hoped or that the market does something wonky on that day and it turns out that we don't save as much we could save and that's really where I think we are sitting. I don't know that when it comes down to it the risks aren't hundreds of thousands of dollars. The risks might be tens of thousands of dollars over twenty five years. But we have to know because of that timeline we were talking about.

Basically we don't have to pass the ordinance tonight but we need to know what it says effectively tonight if we are going to go negotiated or competitive so that we can start all of the other steps in the process that would get us to a deal before summer, before construction season starts. And while we don't want a hard decision, an understanding of the direction or the will of Council whether negotiated or competitive depending on this deal, is important to the administration so we can keep moving forward.

Sprague- That's true. Your Bond Counsel has the offering document draft ready to distribute and approve. I called them this morning and said don't send that to the underwriter because that decision is not made yet. Well very soon if we are doing a negotiated sale the underwriter has to have opportunity to have input into that document so that we are ready to have it when the ordinances are passed to distribute it to the public and so we're ready before that to go to the rating agency. The underwriter is usually part of that presentation. My last comment is like I said at the beginning, I am an advocate I have no beneficial interest in doing it either way.

We do a lot of competitive bids. We do a lot of bids for the City of Columbus, for their new money, borrowing for their capital plan.

Schnetzer- Brad you have been in the market a lot longer than I have so I am going to defer to you. Can you offer perhaps an explanation to pinpoint why it is less common within the State of Ohio to pursue refunding by a competitive method of sale and I'll preface that by saying just by cursory research shows that in the month of February there were three hundred and eighty competitive long term deals done in the market and about one hundred and forty of those were refunding. That ratio is about thirty percent.

Sprague- Do you know if there were advance refunding because the current refunding would be a no brainer.

Schnetzer- You know the limitations of Bloomberg so you'd have to pull each individual stock event. From what I can tell refunding on the national level it is about thirty five percent. It seems that they are done more frequently with new money refunding however both of those numbers are higher in my experience, and I think you will agree, than in the State of Ohio. Is there something about Ohio?

Sprague- Yes, there is. I think it's the recent emerging of National Advisors from the State of Ohio. Up until around 2000 there were hardly any; virtually none. The State of Ohio had one, Cincinnati had one, and Cleveland had one. Look at the states around us. Pennsylvania, Michigan, Indiana, almost everybody had a financial advisor.

When you've got somebody sitting on your side of the table that's in the market every day, you are more inclined to perhaps take competitive bids at least some of the time. In Ohio, when I used to be on the underwriting side of the business, of course we would all tell the issuer well you don't need to have a financial advisor. It is just extra cost, they don't do anything. And in 2001, I left the dark side and became a Financial Advisor because I really did see the need, not just for simple straight forward projects, but I was getting involved in a lot of Transportation Improvement Program projects, that the underwriters didn't seem to care about plus the underwriting firms sometimes took too long because they weren't very big.

Now there are seven or eight active Financial Advisors in the State of Ohio, and fifty percent of the dollar amount of bonds issued to the State of Ohio last year as a National Advisor, still only averaged about 15% of the issues. Well if you don't have a Financial Advisor, your underwriter is not going to tell you to take competitive bids, period. I mean they have no interests in that. That's the reason I really believe in that…..I mean there have been Financial Advisors in Michigan, Pennsylvania, Indiana and in Michigan I think they even have a law that requires you to have one on deals of Public Service.

Schnetzer- So mechanically it's the same across the country, as in the State of Ohio.

Sprague- Yes.

Schnetzer- Because Underwriters have been doing this for twenty or thirty years (Yep), but individuals such as yourself have been a financial advocate for about ten or fifteen years.
Sprague- (Correct).

Angelou- What was the difference in Powell or New Albany so we can understand the largeness of this?
Sprague- There was no good explanation.
Schnetzer- (To Angelou) you can pull that up in your attachment and download them. It was the dollar value the yield or the cost. The most straight forward comparison would be the non-callable maturities. Go to the 2019 maturities for New Albany. They issued at 190 basis points and Powell at 150 basis. A 40 base point differential. And all concur with Brad, that stuff hurts.
Probably a more realistic comparison would be to me would be to look at the Cleveland and the New York City School deals. I don't think it is quite as egregious there where you are looking at maybe ten to fifteen basis points.
Angelou- Mr. Sprague, what is the worst thing that can happen in terms of that timing. What happens? Why is that so bad?
Sprague- Well we certainly don't want to be in the position of over or under borrowing. That refunding piece has to be pretty precise. The amount of money that we are borrowing has to be exactly the amount that we are putting into that escrow account. If we were to bid them, we would put into the bid document, that we reserve the right to adjust the principal amount of the bond for now and when the bids are accepted right up to ten percent or something like that. That would give us a little flexibility to get it done.
Another thing I guess that could happen, I don't think it would, but it could; we've included in the refunding sale a particular maturity of bonds that's just not saving enough money, we shouldn't have done it, and that's going to be a harder to adjust down. Because normally with competitive bids, you have a limit. It's not like you can adjust the principle. I don't think that will happen, but it could.

Schnetzer- So on that topic Brad do we have maturity by maturity breakouts? That DV savings to know what bonds are short along the cuff or maybe how the rate would have to move in a given day to not make sense anymore?

Sprague- I don't have that with me. But we have them. On the 2005 bonds, we're only doing two maturities, 2016 and 2017, 2016 almost doesn't save anything now.

Schnetzer- Yes I ran some numbers and it showed negative MPV cost on everything through 2016 and 2017, I am just saying my calculations could probably be wrong.

Sprague- And it's the same on the other series. It's the maturities, the early maturities generally speaking always produce less savings because the savings. There is so much less time to capture.

Schnetzer- Going from memory, do you remember what the dollar savings were? Not percentages but true cash savings.

Sprague- No I don't but it's….

Schnetzer- Ten thousand? Twenty thousand? And I'll tell you where I am going with this. If you use, we use, the assumption that there's a dollar value of one basis point and we also further the assumption by saying that we could theoretically get five basis points or better, true interest cost by going competitive, that's fifty thousand in potential savings that we would theoretically be forgoing if we were to not go to the competitive method. And then the worst case scenario happens, we can't adjust it in that twenty-four hour window. We can't adjust the escrow so we have to throw out one or two maturities.

Sprague- If I were doing the sale today, I would exclude the 2018 and 2019 maturities, which are the 2007 series bonds, which is about a million dollars' worth of bonds about one point one million, why? Because the savings of those maturities are below 3%.

In the other series of bonds, I would eliminate the 2016 maturity because again the savings level is about 2%. That equates to about eleven thousand dollars. That's a nominal savings on that one. On the other one it would be more like fourteen thousand between the two maturities.

Schnetzer- Right. So it's the either/or. What I am trying to quantify in my head, or what I'm trying to get comfortable with, I am trying to wrap my head around is the competitive potential savings between the two is 50k. Worst case scenario the day of sale something screwy happens in the market, and while we can't refund these early maturities, that were on the cuff spending wise, the dollar value saving is roughly 20k but we're still capturing the 50k over here or approximately 30. As I walk through that calculus is there anything that does not make sense?

I understand the premise itself but for the record, I get the premise that you would get a better rate going competitive.

Sprague- I mean I just honestly think that we wouldn't have that big of a gap. Sometimes what you end up with is that I've seen many times where an underwriter goes out at a certain interest sale and at the end of the order period, lowers the sale because the demand was way under their expectation. That is a luxury that you just don't have with a competitive sale. Sometimes if you see something like the New Albany deal where they went out and got the amount of orders that they were showing on that level, well no wonder they were paying too much. They couldn't adjust enough to bring that down.

Schnetzer- They can't adjust the 20 base points, the investors will back off.

Sprague- Right. A lot of times we've let underwriters go out a little higher than they think they attract people. Once people are in the boat regarding bonds, they don't jump back out.

Schnetzer- You're talking about someone who buys bonds on a daily basis and knows how they work.

Sprague- Yes, you don't want to be chasing the deal the other way. Your premise is exactly right. I just don't think that we would be that far off.

Schnetzer- With that being said, a lot of good information Brad. As I walk through the calculus, the option to adjust up to the actual moment of the sale, how to place a value on that, I personally just don't know if it's worth what the academic research says that we can be giving up and also a couple of examples that have been given to show what we could be potentially giving up. So it boils down to a risk/reward dilemma. Does anyone else have anything that they want to add to that? Brian

Larick- My biggest question is this deal indicated that if we pass it for the 20th, we may go ahead on the sale on the 21st

Sprague- No. No. We would release the offering document to the public on the 21st of April, the sale would be a week later.

Larick- Either way you need to know soon to prepare all that. I misspoke. We would read on the 21st. How does this time frame differ with a competitive plan? Does it make a difference?

Sprague- No.

Teal- The only big difference we have at this moment is the current draft of the ordinances indicates that it would be a negotiated sale, and so from a legislative standpoint if we were going to go competitive, we would ask that it still receive first reading, so it would have updated ordinances prior to the April 6 meeting. And that's what you would get, but we wouldn't be held until the next committee meeting could get the ball rolling because if that would happen we would be pushed into construction season.

Angelou- The 2005 series and the 2007 series were those competitive or were those negotiated?

Teal- They were negotiated.

Mayor- We've never done a competitive sale. It's not, what we talked about, pretty common in the State of Ohio.

Larick- Can you repeat what you were saying about how, why was that… The timeline there?

Teal- So from a timeline standpoint, negotiated, competitive, same timeline. The difference is in the workings, but same timeline.

Our concern really is knowing do we stay as was initially recommended, going negotiated or do we swap over to the competitive style and the reason why this was worthy of this much conversation is you have ordinances in front of you that say negotiated and this would be us changing that and it is good for you to know why and what you're agreeing to. So we need to know that very quickly, because all the work that happens preceding the sale. We start basically tomorrow. Do we tell the underwriter, don't work on our deal, you're not getting it. Do we work with Bond Counsel? We have so many things working behind the scenes. We have to start. Seriously.

Larick- That was more my question. So the timeline doesn't necessarily depend upon the legislation?

Teal- When you make this choice.

Sprague- The only thing that the legislation does… with the timing of the legislation is, we would never feel comfortable putting a preliminary document before the public without having your approval in place.

Larick- I guess then the question is if that decision needs to be made as soon as possible, with the 5th Monday coming up if I am understanding you correctly, we want to do this as soon as possible because of the rates in the market. Would there be a benefit if we waive the 2nd reading of this Ordinance, we could do it even two weeks earlier? Would there be time to even prepare it, number one.

Sprague- It could be.

Stinchcomb- We did talk about that.

Larick- Ok.

Teal- That being said, our April 21st assumption may be fairly overt and may be inappropriate that we would be granted an emergency.

Larick- Which I think is a fair assumption if we're going to try and push this through at all. I guess my question is ….I guess the real question becomes….. do we… are we going to be able to make a decision on the type of sale this evening; or do we need to have a special meeting next Monday, or some other time to get the ball rolling because coming back to committee on April 13th, isn't going to make a difference for this preliminary decision that's too far gone.

Teal- I think at this point and time Brad and I ….having this conversation has forced Brad and I to really look at a lot of the underlying assumptions as to why is the norm.

The norm…… and while there is always conventional wisdom in not rocking the boat, when we're talking about something like this you know there are many things that…… where it is appropriate to be innovative. Sometimes I tend not to bring those forward. They usually come from someone other than me. But at this point in time I think if there was a feel on…… you know…. Normally this would be the type of issue that no one on Council would have any opinion about.

Stinchcomb- Yes. This a pretty detailed discussion we've had tonight.

Teal- That any member of Council or most of the members of Council have had any opinion about the method of sale pretty much tells us which method of sale we should use because this is more input than we would typically receive on an issue like this. So I think at this point in time if there is a generally leaning or assumption that it's worth, the….while small, potential risk that the intricacies don't work out, or that we don't receive quite the level of savings that is expected, but knowing that is a very, very, small window, then we'll swap the ordinance over to competitive and we won't look back and we don't need a special meeting for that. We just kind of need a general nodding of heads to go in that direction.

Larick- My point was I'm not... and we've discussed it…. If we were unable to….We can't make the decision at the April 13th committee meeting,

Teal- Correct.

Larick- We need to make it *'nowish'.*

Teal- Yes.

Stinchcomb- And correct me if I'm wrong, but this isn't right or wrong,

Larick- Right.

Stinchcomb- This is real narrow shades of grey. This is a real fine point of a very complex issue. Congratulations for all of for having this conversation and digging into this as deeply as we have.

Angelou- Having spent 26 years of creating bonds, we never had this kind of conversation.

Jolley- So we've established a time limit so we need to make a decision now so we can write the contract for the ordinance. Then we set the date for the sale, at what point do we bid on these jobs to spend this money for the builds this year and those kinds of things? Are you prepared to spend this money if we get it for you?

Priestas- Yes.

Jolley- We have three years to spend this money and you are prepared for this construction season? You know what you're doing as far as which projects are ready to go this year?

Priestas- We've broken it out in a three year projection and we've actually included it in this year's payment maintenance as an alternate in the event that this would be funded.

Schnetzer- Brad, on the topic of timeline; one of the attachments that I threw in here is more for reference than an open markets committee calendar …One of those meetings is April 29 the one after that is June 17. What are your thoughts on timing of sale around that? Would we expedite this for that? Wait two weeks afterwards? Or do you not care? I don't think you want to do it the day of.

Sprague- No. But I don't mind doing it a day or two ahead.

Schnetzer- Okay, understood. Well I think I know where I am on this, I will defer to my colleagues, do we have a strong preference one way or the other? Can we get that, as Jen said a straw poll this evening to give the administration direction on which way to move forward on the subject?

Leeseberg- I guess if there is a general consensus, I am certainly willing to look at competitive bids.

Larick- The numbers lean toward a competitive bid being a better path.

Schnetzer- Anybody disagree with that because the risk is high? Anybody oppose?

Angelou- I think of being conservative with tax payer dollars however it does appear that there will not be that risk, and there is Powell.

Schnetzer- What I am hearing is that it is something we can rewrite, the ordinance with language for competitive bids? Are we opposed to expediting this? It can't be done any faster than April 20th.

Sprague- It wouldn't be much faster, that's for sure. I guess maybe if you wanted to pass it the week before that that would give us the opportunity if we are ready to go forward.

Angelou- Well we have a special meeting for Saturday.

Teal- And then second reading on April 6th?

Larick- If we are looking at; if you are saying it's going to be one week before the day of the next set meeting it may make sense. To at least have a little wiggle room just in case.

Teal- We can get the language to you before Saturday.

McWilliams- I would prefer to have it on Friday because I need to have time to format the legislation into the software.

Schnetzer- I think that takes care of it. If there are no further items on the agenda?

ADJOURNED - 9:00 p.m.
Jeannette Jarrett, Reporting