MINUTES
LAWTON INDUSTRIAL DEVELOPMENT AUTHORITY
SPECIAL MEETING
JUNE 13, 2017 - 5:00 P.M.
SECOND FLOOR CONFERENCE ROOM NEW CITY HALL

The meeting was called to order at 5:00 p.m. by Michael Tenis, Chairman. Notice of meeting and agenda were posted on the City Hall notice board as required by law.

ROLL CALL
PRESENT: Johnson, Onreka; Jackson, Keith; Tenis, Michael; Warren, Randy.
ABSENT: Johnson, Albert.
OTHERS PRESENT: Jerry Ihler, City Manager; Frank Jensen, City Attorney; Denise Ezell, City Clerk's Office.

BUSINESS ITEMS:

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2. Consider the Minutes of the February 14, 2017 meeting.

<u>**Motion** by Jackson, **Second** by Warren</u>, to approve the minutes of February 14, 2017. **Aye**: Jackson; Tenis; Warren; Johnson O. **Nay**: None. **Motion Approved**.

3. Consider approval of a Resolution authorizing the Lawton Industrial Development Authority (the "Authority") to issue its Sales Tax Revenue Note, Series 2017 (the "Note") in the aggregate principal amount not to exceed thirty one million dollars ($31,000,000) for the financing of certain public safety facilities and paying costs of issuance related thereto; waiving competitive bidding with respect to the sale of the Note and authorizing the Note to be sold on a negotiated basis; approving and authorizing a Sales Tax Agreement by and between the City of Lawton, Oklahoma (the "City") and the Authority pertaining to a year-to-year pledge of certain sales tax revenue; approving and authorizing execution of a Series 2017 Note Indenture authorizing the issuance and securing the payment of the Note; providing that the organizational document creating the Authority is subject to the provisions of the Note Indenture; approving disbursements of the proceeds of the Note; authorizing and directing the execution of the Note and other documents relating to the transaction; authorizing officers of the Authority to take any action and execute all related instruments and documents to effect said issuance and containing other provisions relating thereto.

Jensen stated let me introduce Chris Gander with Bank of Oklahoma. He will be presenting three (3) bids for your consideration. On February 14th you authorized the solicitation of bids for a note not to exceed $31,000,000 for the public safety facility. Bank of Oklahoma has received three (3) bids. If you approve one of those bids there will be several documents that will need to be signed. The primary documents are the Resolution, Sales Tax Agreement and Note Indenture. I have combed over all three very carefully and did make some revisions. Gander will present those bids to you.

Gander stated the note goes for 8.5 years and ties in with your sales tax. We have a list of banks that are interested in this type of bid. If the bid is for more than $10,000,000 it is a non bank qualified so there are some tax implications. Your local banks show more interest in something under $10,000,000. We sent this bid to local banks, regional banks and national banks. On $30,000,000 the national banks are the one who are the most interested. The others don't feel they can be as competitive. At $30,000,000 national banks bid very aggressively and these bids indicate that. The three (3) bids we received were Bank of America, Chase and Arvest. The bids from Bank of America and Chase had two (2) options. The bid packet has covered ratios and statistical information. We give them a bid sheet but they do have some lead way. This is a negotiating transaction unlike a GO bond where you have terms and no lead way. The banks don't know if you want to pre-pay early so they show the non pre-payable rate and a pre-payable rate. The non pre-payable will be your lowest rate. Under Option 1 Bank of America and Chase did the same rate at 2.21%. Bank of American bid 2.34 with a five (5) year call. Chase bid 2.29% and with Arvest you could pay them off at any time. Traditionally you can't pre-pay a bond issue for 10 years so not being pre-payable inside of ten (10) years isn't uncommon. You can see banks charge more because there is a value there. If rates went down in 5 years you could refinance the balance for the remaining 3.5 years and potentially save money. That would cost the lender money and that is why they charge you more for that convenience and ability to pre-pay. The larger national banks can usually get the lower rate but they try to fit everybody into boxes. Their terms generally have more stipulations and requirement and that is the case with both these bids. Bank of America and Chase have their own stipulations. I would say Chase has the most. They want you to have bids in hand on the project and to approve your contractor.

Jensen asked before they approve the rate.

Gander stated yes.

Jackson asked they want to approve our contractor.

Gander stated yes. The issue is what if they don't approve your bids or contractor you are back to square one. You would be at risk of going through the whole process and rates may change.

Jackson stated they are looking at the risk.

Gander stated yes.

Jensen stated another concern is they will not lock into that rate until they have approved our contractor.

Warren stated I don't see that as a real bid. If it can change then it isn't a bid.

Jensen stated we are not recommending you approve this bid.

Gander stated if we had to we could make it work. Since you have other options I'm not recommending the Chase bid. Bank of America had stipulations and one was that the audit had to be done within 270 days or there was a $5000 fee.

Jensen stated I call that an incentive plan.

Jackson asked 270 days from June 30th.

Ihler stated yes.

Jackson asked have we been meeting that.

Ihler stated we are caught up on all our audits. State statutes says they are to be completed by December.

Jensen stated there are consequences if we don't. We need to make certain those are completed on time.

Ihler stated the 270 days is very doable. That will not be a problem.

Jensen asked is that a promise?

Ihler stated yes. Over the last 10 years we got behind. We are caught up and we should never get back in that position again.

Jensen stated we have control as far as getting them the right information.

Jackson stated we need to incentivize the completion of the audit.

Jensen stated there are reasons it is very important and this is another one.

Gander stated there were several provisions. Another key issue was if you default you go to a higher rate. The default rate is 4%. Another provision is if there is another financial crisis with regulations that come into they will be able to adjust the rate no more than 1.5%. These are all fixed rates. This is a real outlier and I don't believe it would ever happen. We ask them to add the cap. We work with Bank of America quite a bit and they have always been good to work with.

Jensen asked how does Lynn Driver feel about that.

Gander stated she did not like the Chase bid. She felt this bid has real issues. She understands Bank of America and Arvest and they didn't have any additional stipulations. Arvest is 77 base points more and it would cost you $1.2 million. Bank of America might be able to raise the rate to 1.5% but if they don't Arvest has cost you $1.2 million.

Jensen stated the only issue I brought up was the cap of 1.5%. We want to have strong language that indicates if they have cost of compliance we want them to have to prove those cost. It has some decent language but it could be stronger. We will try to deal with that.

Gander stated Jensen compared this to your water purchase contracts. If there are consent or change orders you can adjust those contracts to compensate.

Jensen stated we don't want additional cost if we get unfunded mandates placed on us.

Gander stated we are recommending Option 1 with Bank of America. This is a 2.21% non-callable option.

Tenis asked is this your recommendation.

Ihler stated yes.

Tenis asked Jensen.

Jensen stated I don't have a say in the financial part. All I can tell you is they are a legal transaction.

Tenis stated so the action would be to accept Bank of America.

Jensen stated to approve a resolution that would authorize the bid by Bank of America and all the documentation.

Motion by Warren, **Second** by Tenis, to approve a Resolution authorizing the Lawton Industrial Development Authority (the "Authority") to issue its Sales Tax Revenue Note, Series 2017 (the "Note") in the aggregate principal amount not to exceed thirty one million dollars ($31,000,000) to Bank of America for the financing of certain public safety facilities and paying costs of issuance related thereto; waiving competitive bidding with respect to the sale of the Note and authorizing the Note to be sold on a negotiated basis; approving and authorizing a Sales Tax Agreement by and between the City of Lawton, Oklahoma (the "City") and the Authority pertaining to a year-to-year pledge of certain sales tax revenue; approving and authorizing execution of a Series 2017 Note Indenture authorizing the issuance and securing the payment of the Note; providing that the organizational document creating the Authority is subject to the provisions of the Note Indenture; approving disbursements of the proceeds of the Note; authorizing and directing the execution of the Note and other documents relating to the transaction; authorizing officers of the Authority to take any action and execute all related instruments and documents to effect said issuance and containing other provisions relating thereto. **Aye**: Tenis; Warren; Johnson O; Jackson. **Nay**: None. **Motion Passed**.

4. Adjournment

There being no further business the meeting adjourned at 5:15 p.m.

Motion by Warren, **Second** by Tenis, to adjourn. **Aye**: Tenis; Warren; Johnson O; Jackson. **Nay**: None. **Motion Passed**.