MINUTES
LAWTON INDUSTRIAL DEVELOPMENT AUTHORITY
SPECIAL MEETING
AUGUST 28, 2012 - 5:00 P.M.
SECOND FLOOR CONFERENCE ROOM NEW CITY HALL

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

ROLL CALL

PRESENT:	Haywood, Stanley; Johnson Jr, Albert; Tenis, Michael; Warren, Randy.
ABSENT:	Shanklin, Robert.
OTHERS PRESENT:	Frank Jensen, City Attorney; Denise Ezell, City Clerks Office.

BUSINESS ITEMS:

2. Election of Chair

Warren asked Mr. Tenis would you be willing to take the position of Chair?

Tenis stated sure.

Motion by Warren, **Second** by Haywood**,** to elect Michael Tenis as the Chairman. **Aye**: Johnson; Tenis; Warren; Haywood. **Nay**: None. **Motion Carried**.

3. Consider the Minutes of the June 19, 2011 meeting.

Motion by Tenis, **Second** by Haywood**,** to approve minutes of May 19, 2011 as written. **Aye**: Tenis; Warren; Haywood. **Abstain**: Johnson. **Nay**: None. **Motion Carried**.

4. Consider adopting a resolution authorizing the issuance of a new Series 2012 note to replace the existing "$2,500,000 remodel of the original Lawton High School Refunding Note, Series 2010"; approving and authorizing the execution of a Series 2012 Supplemental Note Indenture; waiving competitive bidding; approving an Agreement of Support with the City; authorizing payment of fees and expenses; and containing other provisions relating thereto.

Jensen stated a note was issued in 2010 by LIDA to provide additional funding for Phase IV of this building. The note was approved by Council in the amount of $2.5 million and was purchased by Arvest Bank. To replay the note the City identified surplus property at 67th and Rogers Lane and subdivided the property into four small parcels. There is about fifty acres total. Council declared it as surplus to the City of Lawton in an ordinance and by amendment to the ordinance it states the first $2.5 million of sale proceeds goes to pay the note. The property has not sold and is still on the market. It will stay on the market until it sells and the ordinance will stay in effect to repay the note. We don't have any definite prospects at this time. The Manager continues to receive inquiries about the parcels, but no firm offers. With a maturity date coming up on

September 5th the Manager had to start negotiating bids with the local banks. These were not formal competitive bids. Three banks are willing to divide the new note and have a repayment schedule for a period of ten years. The initial note with Arvest was a short term interim loan, Liberty Bank has stepped up with 4% interest and the note is repayable over a ten year period. This is a new repayment schedule from the one you received in your packet. Initially we were going to make payments of $250,000 per year plus interest. Now you see the first payment will be $200,000. We have $250,000 in this years budget, but $50,000 has to go to Arvest to pay the outstanding interest. The $50,000 couldn't be identified quickly enough so Liberty agreed that the first principal and interest payment in September 2012 would be in the amount of $200,000. The new schedule has been adjusted accordingly. Backing the note is an Agreement of Support, which is in your packet, and is similar to the agreement done for 82nd Street and 2nd Street. It says that the City Council agrees on a year to year basis, because that is all they can agree to, to appropriate $250,000 or whatever is necessary to repay the new note. That is one form of collateral. Another form is the surplus property ordinance and the third source is a mortgage which Council will consider tonight on two of the four parcels at 67th and Rogers Lane. If the property doesn't sell and future Council doesn't appropriate money, Liberty Bank will have a mortgage on the two parcels located at the corner of 67th and Rogers Lane and the parcel adjacent to the east. In our opinion those parcels are worth well more than the amount of the note. Since we are waiving competitive bidding we have to have four votes approving the item. Waiving competitive bidding means the Manager didn't go out with a RFP, because we didn't have time to do so. He did contact the local banks to generate interest and Liberty Bank stepped up with a competitive interest rate. It is a variable and starts at 4.35%. It can be adjusted every two years based upon the formula given to you in your background. Since we are not doing formal competitive bidding we have to have ¾ vote which includes all five seats even though one member is absent. Do you have any questions.

Johnson stated you explained it very well, but would we have gotten a better interest rate if we had gone out with an RFP and would Arvest allow us to go beyond the September date? If not then it is a pretty easy vote.

Mitchell stated it is hard to say. Let me clarify a couple of things. I approached Arvest first to see if they would consider rolling the temporary loan into permanent financing. David Madigan said yes. After speaking with his boss in Oklahoma City they weren't comfortable having this loan in addition to their commitment to the downtown project. The other thing this does is to release the security pledge by the McMahon Foundation. That is the real value in changing from interim financing to permanent. In the beginning McMahon pledged security in the form of financials and by the time we closed Arvest required hard collateral and McMahon deposited somewhere around a million in Arvest as collateral. Approving this loan will release the collateral pledged by McMahon.

Jensen stated that is a complication we have been worried about. I was with the Manager when Madigan said if we could come up with a plan to reduce principal they would refinance, but when it came to time to negotiate they had concerns about the $12 million note on 2nd Street. When we first did the note with Arvest they thought there was going to be more collateral and there was not. McMahon stepped up and give us a letter of guarantee on behalf of the City of Lawton stating if we didn't pay they would pay off the note. Then Arvest wanted an additional step of a large deposit to be held in their bank. The McMahon Foundation doesn't want to extend this any longer and we have to keep them as an ally.

Mitchell stated that is where the pressure is and we don't have the time to go out and secure bids due to the timing.

Tenis asked what did we estimate the value of the two parcels we are putting up as collateral to be.

Jensen stated we don't want to discuss that in an open meeting. We can say that the parcel on the corner in our opinion is worth more than the value of the note, but Liberty wants the additional parcel. We are still soliciting sealed bids and we want to protect that.

Mitchell stated because we went through a formal RFP we are in a position now to negotiate and we certainly don't want to reveal those values. To answer your questions the two parcels we are mortgaging have 2/3 the value of the land.

Motion by Haywood, **Second** by Warren**,** to adopt a resolution authorizing the issuance of a new Series 2012 note to replace the existing "$2,500,000 remodel of the original Lawton High School Refunding Note, Series 2010"; approving and authorizing the execution of a Series 2012 Supplemental Note Indenture; waiving competitive bidding; approving an Agreement of Support with the City; authorizing payment of fees and expenses; and containing other provisions relating thereto. **Aye**: Tenis; Warren; Haywood; Johnson. **Nay**: None. **Motion Carried**.

5. Adjournment

Motion by Johnson, **Second** by Tenis**,** to adjourn. **Aye**: Warren; Haywood; Johnson; Tenis. **Nay**: None. **Motion Carried**.