MISSOULA REDEVELOPMENT AGENCY

CONDENSED BOARD MEETING MINUTES

November 15, 2013

FINAL

A **Special** meeting of the Board of Commissioners of the Missoula Redevelopment Agency was held at the MRA Conference Room, 140 West Pine, Missoula, MT 59802 at 11:00 a.m. Those in attendance were as follows:

Board: Karl Englund, Nancy Moe, Ruth Reineking, Rosalie Cates

Staff: Ellen Buchanan, Chris Behan, Jilayne Lee, Tod Gass, Juli Devlin

Public: Erin McCrady, Dorsey & Whitney LLP; David MacGillivray, Springsted (City's Financial Advisors) (phone)

CALL TO ORDER

11:00 a.m.

APPROVAL OF MINUTES

PUBLIC COMMENTS & ANNOUNCEMENTS - None

ACTION ITEMS

Front Street Parking Structure Bond – Series 2010B, $3M (Front St URD) – Refunding of Parking Revenue Bonds, 2010B Recovery Zone Economic Development Bonds (*Buchanan)*

Buchanan said the Front Street Parking Structure Bonds were sold in 2010 in the midst of the recession. During this time a number of stimulus programs evolved including the Recovery Zone Economic Development Bonds (RZEDB) program which states if a bond is eligible to be a tax exempt bond but was issued as a taxable bond, then the Federal government would reimburse 45% of the interest amount due. Buchanan said the Missoula Parking Commission (MPC) elected to receive a direct payment from the United States Treasury in an amount equal to 45% of the interest payable on the Series 2010B Bonds on each interest payment date. Of the total $7.5M Parking Facilities Revenue Bonds, the MRA's debt service obligation was $3M to be paid from tax increment funds and the remaining $4.5M debt service is being paid from parking revenue.

Buchanan said while Congress was trying to balance the Federal budget, certain elements of the budget were found to be subject to sequestration. Because of this, Congress has made the choice to reduce the RZEDB interest subsidy by 8.7% to the various municipalities and governmental entities who issued taxable bonds during the recession. Buchanan said there's no reason to believe the reduction percentage will increase or discontinue because there is no push back from the public. She said the sequestration constitutes as a trigger event which allows the City to recall the Series 2010B Bonds. The City looked at recalling the Bonds in July of 2013 when interest rates hit record lows but the interest rates suddenly increased and the City did not move forward with recalling the Bonds. Buchanan said the interest rates have fallen again therefore it seems beneficial to recall the Parking Structure Bonds and reissue them as tax-exempt bonds. She said if the Board approves this, it will position the City to pull the trigger at the most advantageous interest rate. The resolution of intention states the City Council's intention to allocate tax increment funds from the Front Street District to service this refunded debt.

David MacGillivray, Springsted, who is the City's financial advisor, said the City needs to decide if it wants to get out of the game with the federal government and have more control over what future debt service might be. He said basas of today the annual outflows would be the same as they were before issuing the bonds on a tax-exempt basis. MacGillivray said the payments would not go down but they wouldn't go up either. He said this will be market dependent and will be dependent on the Parking Commission's credit rating which as of now is an A-. He said an A credit rating is a very good credit rating and the minus indicates the lower end of the A category. MacGillivray said Springsted will go through a credit rating review with the Parking Commission. Buchanan said the Parking Commission's current coverage of the debt is considerably better today then what it was; therefore there is a possibility the credit rating could go from an A- to an A and if that were the case the interest rates could go down further.

Erin McCrady, Dorsey & Whitney, LLP, acting as the City's Bond Counsel, said pursuant to this resolution, the City would be recommitting the same tax increment dollars that are currently committed to the Series 2010B Bonds. She said in 2010, MRA agreed to pay $3M in a principal amount on the bonds that were issued for the Front Street Parking Structure. McCrady said MRA has paid approximately $92,000 to date. She said if MRA approves refunding of the Bonds, then essentially the remaining balance of $2,908,000 plus the interest on that portion of the Bond is being recommitted. She said the interest rate component as of now is unknown but will be established at pricing.

Cates asked what fees would be involved in the refunding. MacGillivray said there would be a cost of issuance amount of approximately $75,000 and there would also be an underwriter fee, which in this case would go to DA Davidson, for about $105,000 to find new investors and market the bonds. He said the net present value calculation has to be greater than zero after consideration of those costs. Cates asked if MRA was being charged issuance fees from Springsted and Dorsey & Whitney now or if those fees would be contingent on refunding the Bonds. MacGillivray said Springsted has done a lot of work to get where we're at today so if the MRA Board decides not to refund the Bonds then there will be a reduced cost associated. McCrady said if the deal fell through then Dorsey & Whitney would also have a reduced cost that both the City and Dorsey & Whitney felt was fair.

Cates asked what the increased interest amount is for the City and MRA due to the loss of the federal interest subsidy and how the City is servicing the increase. Buchanan said the City is not receiving the interest subsidy that was expected. McCrady said the increased exposure is about 8.7% of the subsidy, which equals about $10,000 per interest payment. She said the interest payments are made every six months. McCrady said a portion of that increase is coming from MRA's tax increment funds since MRA shares a portion of the bond responsibility. McCrady said if the City moves forward with issuing the Refunding Bonds, MRA's principal amount would not increase and interest rates would be set as MacGillivray described above so that MRA is netting out at least at zero; i.e. no additional commitment and possibly a reduction in MRA's commitment depending on interest rate the bond is locked at. Buchanan said MRA doesn't have that kind of protection now.

Moe asked what 45% of the interest due on the bonds is annually. McCrady said interest payments are currently about $250,000 every six months. McCrady said the 45% represents the total interest subsidy payment every six months. She said the United States Treasury Department is supposed to rebate the City 45% of every interest payment made. MacGillivray said 45% of the interest payment would be approximately $120,000, which was going to the MPC prior to sequestration. Buchanan said the City is now receiving approximately $110,000 every interest payment under the current sequestration reduction. McCrady said the United States Treasury is withholding 8.7% of what should be given to the City.

Moe asked if the funds that were withheld is a permanent loss or if they could ever be recovered. McCrady said that has not been answered but most people who are having funds sequestered are assuming they'll never recover that money. MacGillivray said it was just a guess on that probability, but most public entities are not anticipating getting any money back that has already been sequestered. Moe asked what triggers whether or not the 8.7% will be received in the future. McCrady said the withholding of the full payment has resulted in a trigger of the extraordinary redemption feature that is in the Parking Commission Bond Resolution; otherwise the Bonds are not currently redeemable. Moe said if City Council approves this Resolution then City Council will still need to make additional decisions to implement the Resolution. She asked what will prompt the City Council to implement the Resolution. McCrady said the Parking Commission will have a Parameters Resolution since they are the actual issuer of the Bonds. She said if the MRA Board approves the Resolution of Intent, the City Council will adopt a new resolution fully pledging the same TIF revenues to the repayment of the new Bonds and the Parking Commission will adopt a Bond Resolution with the new terms of the bonds. Englund asked what criteria the City Council would be looking at to "pull the trigger" and approve the final Bond Resolution. Discussion ensued.

Englund asked if there was any debate from the Bond Holders on whether or not this is an Extraordinary Event. McCrady said there is some sensitivity from the Bond Holders since they bought the Bonds thinking there wouldn't be redemption for the first ten years, but this redemption feature exists under all recovery zone bonds which include some kind of extraordinary call language. Both McCrady and MacGillivray said neither one of them are aware of any lawsuits or litigation because of these RZEDB redemption features being utilized. Discussion ensued.

Cates said she sensed there might be some conservative thoughts about jumping into refunding the Bonds but said the limitation language seems pretty safe. She said refunding the bonds has no major impact other than reducing the risk for the Parking Commission and MRA. Moe said there would also be the potential of receiving a benefit back over the term.

Buchanan said her view point is that the Front Street District is fairly new and doesn't produce a lot of revenue. She said the last thing MRA needs is exposure in going forward that will pull revenue for paying debt service rather than being used for other projects.

CATES: I MOVE THAT WE APPROVE THE RESOLUTION DRAFTED 11/15/2013 REGARDING THE INTENTION TO ALLOCATE CERTAIN FRONT STREET URBAN RENEWAL DISTRICT TAX INCREMENT REVENUE TO THE REPAYMENT OF PARKING FACILITIES REFUNDING REVENUE BONDS FOR THE FRONT STREET PARKING STRUCTURE AND SEND THE BOND RESOLUTION FORWARD TO CITY COUNCIL.

Reineking seconded the motion. Motion passed unanimously. (4 ayes, 0 nays) Kemmis absent.

Buchanan said one reason today's called meeting was scheduled is because interest rates are favorable right now and who knows what will happen in January or February. Buchanan said Aaron Rudio, DA Davidson, has mentioned to her that if MRA is in a position to reissue these bonds in mid December 2013 then that will be a favorable time frame.

NON-ACTION ITEMS - None

ADJOURNMENT

Meeting adjourned at 11:40 am.

Respectfully Submitted,

Juli Devlin

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