

## CITY COUNCIL SPECIAL SESSION MINUTES

July 16, 2013

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in Special Session at 5:05 p.m. in the Municipal Building Conference Room on the 16th day of July, 2013, and notice and agenda of the meeting were posted in the Municipal Building at 201 West Gray and the Norman Public Library at 225 North Webster 48 hours prior to the beginning of the meeting.

PRESENT:	Councilmembers Castleberry, Heiple, Holman, Miller, Williams, Mayor Rosenthal
ABSENT:	Councilmember Jungman
TARDY:	Councilmembers Griffith and Kovach

Item 1, being:

### DISCUSSION REGARDING REFINANCING THE 2009 SERIES NOTE FOR THE TAX INCREMENT FINANCE DISTRICT FOR UNIVERSITY NORTH PARK.

Mr. Anthony Francisco, Director of Finance, said in 2009, City Council, acting as trustees of the Norman Tax Increment Finance Authority (NTIFA), authorized the issuance of debt in the amount of \$14,560,000 for certain University North Park (UNP) public projects. The loan was structured as a draw note and the NTIFA could withdraw funds as needed and avoid paying interest on the full debt authorization before those funds were needed. He said the lender, the University of Oklahoma (OU) Foundation, had to approve any funds that were drawn before they could be spent along with any available Tax Increment Finance (TIF) District funds that were to be spent. He said this is one of the major reasons Staff is suggesting the notes be refinanced. He said an open market refinancing would allow the NTIFA more flexibility to do the projects they choose.

Mr. Francisco said the interest rate on the original note was financed on a floating rate based on the one year Treasury Rate plus 1.25%. He said beginning September 1, 2013, the rate will be based on the one year Treasury Rate plus 2%; in September 2014 it will be 3%, and in September 2015, it will be 4%. He said there is a minimum interest rate of 3.75% and to date, the interest rate has not exceeded the floor of 3.75%. He said interest rates have been increasing and if a loan with a low interest rate is not locked in now, there is a chance of going above the minimum interest rate.

Mr. Francisco said four draws have been taken from the note for the Rock Creek Overpass Project, the 24th Avenue N.W./Rock Creek Intersection Project, the Legacy Park/24th Avenue N.W. Intersection Project, and the Legacy Park Design and Construction Project. He said projects have also been completed on a pay-as-you-go basis such as repaying the developer for the intersection of 24th Avenue N.W. and Robinson Avenue. He said total draws have been \$14,560,000 and the City has met principle payment obligations of \$400,000 on September 1, 2011, and \$425,000 on September 1, 2012. If refunding is not done, another principle payment will be due on September 1, 2013.

Mr. Francisco said Staff made some assumptions based on the analysis of potential refunding for Council's consideration. He said the existing note will be paid off on the principle repayment of September 1, 2013, in the amount of \$13,735,000. He said NTIFA has made monthly deposits into an interest account and a principle account so those funds are available to meet the repayment of the outstanding principle and the net payoff would be an estimated \$13,545,000. He said as part of Development Agreement No. 5, the OU Foundation reduced the required reserve level from \$1.5 million to \$1 million, however, potential lenders may require a \$1.5 million reserve level so Staff has built that into the proposed financing assumption. He said cost of issuance suggests rounding off figures to make a total proposed issuance of \$14,385,000.

Mr. Francisco said other common assumptions to NTIFA refunding notes include taxable interest income to investors; a prepayment option; coverage estimates (the amount of money on hand divided by the amount of money that has to be paid to meet debt service) based on current sales tax and property tax apportionment revenues; repaying principle upfront at a lower rate (back-loading principle); and having available cash on hand in the TIF fund and on deposit with the Trustee available for TIF Projects or to prepay debt.

Mr. Francisco said investors usually want a minimum coverage ratio of at least 1.25 times and the City's assumption has a minimum coverage of at least 1.70 times on a 10-year maturity issue; 1.76 times on a 12-year maturity issue, and 1.93 times on a 15-year maturity issue. He said maximum coverage would be 2.77 times on a 10-year maturity issue, 2.97 times on a 12-year maturity issue, and 3.44 times on a 15-year maturity issue. He said given those assumptions, the City would pay out \$3,600,184 in interest on a 10-year maturity, \$4,602,197 in interest on a 12-year maturity, and \$6,094,071 in interest on a 15-year maturity. He said average annual "excess" cash would be \$977,902 for 10-year maturity, \$1,167,633 for 12-year maturity, and \$1,358,795 for 15-year maturity and total "excess" cash would be \$9,772,144 for 10-year maturity, \$14,011,598 for 12-year maturity, and \$20,381,922 for 15-year maturity.

Mr. Francisco highlighted tentative future funding needs for proposed TIF projects, anticipated costs, and cash flows in 2014 through 2021.

Item 1, continued:

Councilmembers Griffith and Kovach arrived at 5:30 p.m.

Mr. Francisco asked for input from the NTIFA regarding the proposed financing. Councilmember Castleberry said the 15-year maturity has an estimated \$20,381,922 in "excess" cash and asked if the NTIFA chose a 10-year maturity and at year 15 could they take the 10-year estimated "excess" cash of \$977,902 times five years and add that to the \$20,381,922 estimated 15-year "excess" cash and Mr. Francisco said yes, by that analysis they could do that. Mr. Francisco said if that comparison was made on a 10-year maturity to a 15-year maturity it would add approximately \$7.2 million to the 10-year maturity and if you made that comparison on a 10-year maturity to a 12-year maturity it would add approximately \$2 million. Councilmember Castleberry said if the NTIFA wanted to maximize cash 15 years from now then a 10-year maturity would do that and Mr. Francisco said yes but only to the extent that the debt has been paid off.

Mayor Rosenthal asked about available cash on hand and Mr. Francisco said it would depend on the actual cost of the projects, but if all of the projects cost exactly what is projected, there would be around \$2.1 to \$2.2 million in available cash. Councilmember Castleberry asked if any of the cash reserves will be used for financing and Mr. Rick Smith, Municipal Finance Services, said there is \$1,050,000 currently in reserves on the existing note so that would be transferred to the new note, but the City would need an additional \$500,000 to increase reserves to \$1.5 million, which he believes would be required by lenders. He said the \$500,000 would be financed. Councilmember Castleberry asked what the savings would be on refinancing and Mr. Smith said it would depend on interest rates, but there will be no dollar savings until after the year 2015; however, refinancing will give the NTIFA flexibility on projects. Mayor Rosenthal said the loan from the OU Foundation was structured to increase interest rates yearly because the Foundation did not want to be a long term lender. She said the biggest reason to refinance is to give the NTIFA flexibility to make decisions on projects without getting permission from the OU Foundation. Mr. Smith said another advantage is a fixed interest rate versus the annual increase of the OU Foundation note.

Mr. Smith said there will be an increase in the pool of potential bidders with a shorter maturity term. He said when you go beyond ten years some of those bidders fall out because they will not want to commit to a fixed rate for more than 10 years.

Councilmember Castleberry said the assumption is there will be no growth in sales tax or property tax over the next ten years and that is as conservative as you can get. Councilmember Kovach said he is all for a shorter term and Mayor Rosenthal agreed. Councilmember Heiple said he prefers the 15-year term although he understands wanting to save on interest. Mr. Smith said the City can request bids for both 10 and 15 years, but felt there would only be one or two serious bidders for a 15-year fixed rate note while there may be a dozen bidders for a 10-year note.

Mr. Steve Lewis, City Manager, said \$2.5 million for a Lifestyle Center is in tentative future funding needs, but the project plan allows for more than that and Mr. Jeff Bryant, City Attorney, said the project plan consists of \$8.75 million. Mr. Bryant said a Cultural Center is projected to cost \$7.75 million, but that is not listed in future funding needs and there is approximately \$13 million in other projects not listed. Mr. Bryant said a 15-year term would allow the City to pay off the debt and have enough "excess" cash to finish the remaining components of the project plan. Councilmember Castleberry felt a 10-year note would finance all the projects and leave enough cash built up to allow pay-as-you-go on other projects. Mayor Rosenthal said there is interest from the public for a Cultural Facility and Mr. Francisco said the affordability of doing the proposed projects in the project plan becomes very questionable when you add a \$7 million project and Council needs to understand there would need to be some trade-offs.

Mr. Harold Haralson, Chair of the TIF Oversight Committee, felt the TIF Oversight Committee would support the 10-year note term.

Councilmember Kovach said if Council is seriously concerned about the General Fund Budget, then the sooner the debt is paid off the sooner the revenues go into the General Fund. He said the City still has hiring freezes and possible service cuts in the budget so if this keeps being pushed back the City will never see the full benefit of the TIF in the General Fund Budget. Councilmembers Griffith and Williams agreed the quicker the debt is paid off the better.

Mayor Rosenthal said there seems to be a consensus to move forward with a 10-year note. She said financial proposals will be circulated with bids received by July 31st. She said Council will award the bid at the first meeting of August and financing will be finished by the end of August. Mr. Smith said the proposed financing schedule shows bids being received by the Financial Advisor and Finance Department two weeks before the first Council meeting in August; however, banks will not want to wait two weeks for action to be taken by Council. He said bids will probably come in the Thursday before the first Council meeting in August and Council will at least be aware of what the bids are prior to the meeting.

Councilmember Castleberry asked if all the revenues will be pledged and Mr. Smith said 50% of sales tax and ad valorem tax that comes to the TIF will be pledged. Mr. Francisco said you have to pledge the revenue that is coming in, but all you have to pay is debt service. Councilmember Castleberry asked if the City would still have

Item 1, continued:

the flexibility to approve small projects within the TIF and Mr. Francisco said yes, that is the reason for refinancing, allowing Council to make those decisions instead of having to go through the OU Foundation for approval.

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Item 2, being:

CONSIDERATION OF ADJOURNING INTO AN EXECUTIVE SESSION TO DISCUSS THE FOLLOWING:

AS AUTHORIZED BY OKLAHOMA STATUTES TITLE 25 §307(B)(4) TO DISCUSS POSSIBLE AND PENDING LITIGATION IN THE FOLLOWING CASES:

CAROL K. ROONEY VS. CITY OF NORMAN AND COXCOM, L.L.C., CLEVELAND COUNTY DISTRICT COURT CASE NO. CJ-029011-1950 TS.

HODGE VS. KEENE, WESTERN DISTRICT OF OKLAHOMA, CIV-2010-1283D; TENTH CIRCUIT CASE NO. 2013-6047.

AS AUTHORIZED BY OKLAHOMA STATUTES TITLE 25 §307(B)(4) TO DISCUSS POSSIBLE LITIGATION AND TO DISCUSS THE ACQUISITION OF REAL PROPERTY AS AUTHORIZED BY TITLE 25 §307(B)(3) OF RIGHT-OF-WAY IN CONNECTION WITH THE CEDAR LANE WIDENING PROJECT BETWEEN 12TH AVENUE S.E. AND ONE-EIGHTH MILE EAST OF 24TH AVENUE S.E.:

CITY OF NORMAN VS. TIETSORT REVOCABLE TRUST (CJ-2013-775)

CITY OF NORMAN VS. III MOORE, LTD. (CJ-2013-776)

CITY OF NORMAN VS. CHRISTOPHER ARMSTRONG (CJ-2013-777)

CITY OF NORMAN VS. JAMES AND DOROTHY ARMSTRONG (CJ-2013-778)

CITY OF NORMAN VS. WILEY AND BARBARA MADOLE (CJ-2013-779)

Councilmember Kovach moved that the Special Session be adjourned out of and an Executive Session be convened in order to discuss potential and pending litigation in the cases as stated above and to discuss the acquisition of real property of right-of-way in connection with the Cedar Lane Widening Project between 12th Avenue S.E. and one-eighth mile east of 24th Avenue S.E., which motion was duly seconded by Councilmember Griffith; and the question being upon adjourning out of the Special Session and convening an Executive Session, a vote was taken with the following result:

YEAS:

Councilmembers Castleberry, Griffith,  
Heiple, Holman, Kovach, Miller, Williams,  
Mayor Rosenthal

NAYES:

None

The Mayor declared the motion carried and the Special Session adjourned out of; and an Executive Session was convened in order to discuss potential and pending litigation in the cases as stated above and to discuss the acquisition of real property of right-of-way in connection with the Cedar Lane Widening Project between 12th Avenue S.E. and one-eighth mile east of 24th Avenue S.E.

The City Council adjourned into Executive Session at 5:50 p.m. Mr. Steve Lewis, City Manager; Mr. Jeff Bryant, City Attorney; and Ms. Kathryn Walker, Assistant City Attorney, were in attendance at the Executive Session.

Mr. Shawn O'Leary, Director of Public Works, was in attendance at the Executive Session beginning at 6:15 p.m.

Mayor Rosenthal acknowledged return to Open Session.

Item 2, continued:

Thereupon, Councilmember Kovach moved that the Special Session be reconvened, which motion was duly seconded by Councilmember Griffith; and the question being upon reconvening the Special Session, a vote was taken with the following result:

YEAS:	Councilmembers Castleberry, Griffith, Heiple, Holman, Kovach, Miller, Williams, Mayor Rosenthal
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NAYES:	None
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The Mayor declared the motion carried and the Special Session was reconvened at 6:32 p.m.

The Mayor said potential and pending litigation in the cases as stated above and potential and pending litigation in the cases as stated above and the acquisition of real property of right-of-way in connection with the Cedar Lane Widening Project between 12th Avenue S.E. and one-eighth mile east of 24th Avenue S.E., were discussed in Executive Session. No action was taken and no votes were cast.

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#### ADJOURNMENT

There being no further business, Councilmember Kovach moved that the meeting be adjourned, which motion was duly seconded by Councilmember Holman; and the question being upon adjournment of the meeting, a vote was taken with the following result:

YEAS:	Councilmembers Castleberry, Griffith, Heiple, Holman, Kovach, Miller, Williams, Mayor Rosenthal
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NAYES:	None
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The Mayor declared the motion carried and the meeting was adjourned at 6:33 p.m.

ATTEST:

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City Clerk

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Mayor