SUMMARY MINUTES OF THE WORK SESSION MEETING
PUBLISHED BY THE AUTHORITY OF THE CITY COUNCIL
OF BLOOMINGTON, ILLINOIS
MONDAY, MARCH 14, 2011; 5:40 P.M.

The Council convened in Work Session in the Council Chambers, City Hall Building, at 5:40 p.m., Monday, March 14, 2011.

1. Call to Order

The Meeting was called to order by Mayor Stockton who directed the City Clerk to call the roll and the following members answered present:

2. Roll Call

Aldermen: Judy Stearns, Bernard Anderson, Steven Purcell, Karen Schmidt, Jim Fruin, Jennifer McDade, John Hanson, and Mayor Stephen F. Stockton.

Staff Present: David Hales, City Manager, Tim Ervin, Finance Director, and Tracey Covert, City Clerk.

Others Present: Todd Krzyskowski, Managing Director and Kate Bowden, Analyst, Mesirow Financial and Lynda Given, Bond Counsel, Chapman and Cutler.

3. Refinance US Cellular Coliseum (USCC) Taxable Bonds

Mr. Hales introduced Todd Krzyskowski, Managing Director, Mesirow Financial and stated he came before the Council once before in 2009. The goal was to improve cash flow and lower costs. Staff has reviewed long term debt and taxable bonds which had been issued. The City had five (5) years of actual experience. It was time to take a fresh look at refunding taxable bonds. The City had retained Chapman & Cutler as bond counsel to evaluate this issue. The refinancing would be complex and unique. The Council would be walked through a thirty (30) minute presentation regarding the financial and legal issues.

Mr. Ervin noted the City's history with Mr. Krzyskowski and Mesirow Financial.

Mr. Krzyskowski stated Council needed to take decisive action by shortening the term and lowering the debt. He anticipated that there would be good economic results. He noted the Council's policy adoptions, (budget and expenditure control). The City has improved its credit rating. This will result in better (lower) interest rates. The refunding would be a part of the process.

Mr. Krzyskowski had prepared and provided to Council a handout entitled, "*The Continuing Path to Fiscal Strength Interest Cost Savings Opportunities for the City's Coliseum Bonds.* He noted that there are five (5) steps to the process, 1.) Understanding rating agency standpoint; 2.) Implement short term tactics; 3.) Revenue and Expenses; 4.) Long and short-term planning; and 5.) Monitoring and contingency planning. That he was providing this information to Council so that it has a better understanding of its credit rating, are better able to make disciplined decisions, receive accurate data, and revenues and expenditures must be balanced. He stated the interest rates favorable at this time.

Council must manage its affairs. There were events that the City had no control over. These events can have an impact on the City's financial life. The City must have liquidity. He stressed that the City's credit rating mattered. He noted the City's current rating A stable (Moody's, S & P and Fitch). The City was doing the right thing. There has been recognition in the marketplace. He encouraged the Council to execute the refunding plan. The results should be lower interest rates and a shortened amortization. He noted that there were different refunding mechanisms. He believed that reinvestment rates would be too low. An interest swap was not in the City's best interest. Bonds would be purchased on the secondary market. He believed that there would be an interest cost reduction from six percent (6%) to two to three (2-3%) percent from taxable to tax exempt.

He encouraged Council to focus on the graph located on page 11 of his handout. It compared the current rates versus the current tax exempt rates. He described the graph contained on page 12 as complicated, (A Successful Repurchase of Coliseum Bonds in the Taxable Market Can Produce Greater than a Traditional Advance Refunding Coliseum Bonds via the Refunding (see page 13) had been prepared with staff's input. Debt would be accelerated over time. The Council would set a target for debt service. Comparing an In-Place vs. Accelerated Refunding Structure Illustrates the Additional Savings Captured in Steep Yield Curve Environment, (see page 14) addressed the decision to reduce the term. There was no change to $1.1 million. $4.9 million would be accelerated.

Mr. Krzyskowski addressed page 15, (The City Can Achieve Cost Savings of Over $1 Million through an In-place Uniform Bank Qualified Repurchase Refunding of $10 Million Coliseum Bonds). He noted that the purple bars documented outstanding debt. He restated that a repurchase with accelerated repayment would result in favorable interest rate, (see page 16, The City Can Reduce its Interest Cost by Over $4.9 Million through an Accelerated, Bank Qualified Repurchase Refunding of $10 Million Coliseum Bonds.)

The mechanics behind a successful repurchase refunding were contained on pages 18 & 19. These Pages contain the steps needed to complete the process. The one unknown was the current bond holders' willingness to sell the bonds back to the City.

Mr. Hales noted that an ordinance must be passed first then the City could begin outreach.

Lynda Given, Chapman & Culter, addressed the Council. The ordinance would start the process. It would authorize her and Mr. Krzyskowski to take action. The parameters of the ordinance set limits. The City would publish a notice of its intent to repurchase. There were three (3) goals maximum principle, maximum interest rate and maximum tax level. This was the only action required by the Council. The results would be reported back to the Council. She noted the time due to the April 5, 2011 election. She cautioned that one Council could not speak for another. She addressed how tax exempt basis would result in savings. It is a privilege from the federal government for government facilities. She noted that there was a private corporation involved with this public facility. Extensive analysis was performed on the USCC operations. There was a two (2) pronged test: private use and private payment. Some of both were allowed. Too much of both means that the City would fail the test.

Ms. Given addressed private use. There were five (5) contracts with private parties. She cite same. She had researched the fit with the IRS (Internal Revenue Service) rules. USCC had private use. Private payment was a question of profit, (revenue versus expenses). Profit might be used to pay the bonds. She had worked with Sikich, (City's outside auditor.) Currently, revenue was not in excess of expenditures. Any profit could be applied to taxable bonds. There would be $15 million remaining in taxable bonds. Currently, there was insufficient revenue to cover all costs. An additional $1 million in revenue would be needed. The numbers viewed were described as extreme. She was ready to proceed with the tax exempt financing.

Ms. Givens addressed the feasibility study stating, that the last report was completed in 2004. The feasibility (revenue/expenditure) report had been updated. She recommended that the City bring in an outside expert.

Mr. Hales added one aspect – higher debt service and long term financial plan. Mr. Ervin noted the accelerated payment (ten years). He cited the increase transfer from the General Fund to debt service, ($400,000). He noted that in 2015 ERI (Early Retirement Incentive) payments would drop off. These payments would total $2 million per year. The City would need $500,000 per year for USCC debt. Mr. Hales noted the initial increase to debt service. He cited the current climate, and addressed the state's fiscal crisis. Mr. Ervin informed the Council that a bond premium was being added to all Illinois Municipal Bonds. In 2020, under the current financing, the City would only have paid off $3 million in principal. This refinancing plan would result in $13 million being paid towards principal.

Mayor Stockton cited two (2) benefits: interest rate differential and repayment acceleration. He questioned the feasibility report. Ms. Given noted that the study had been completed by an independent consultant. Operations as the USCC had been reviewed. Similar facilities were looked at and projections were made, (revenue and expenditures).

Mayor Stockton questioned assurances to City leaders. Ms. Given noted the City's planning purposes. She addressed the USCC financial picture. Mayor Stockton questioned whether the bonds were callable. She responded not until 2014. Mr. Krzyskowski added that a small premium would be paid. The City would own the bonds. These bonds would be cancelled and replaced with new lower interest rate bonds.

Alderman Schmidt thanked Ms. Given for the clear explanation. She noted the feasibility study. The only negative was the timing. Ms. Given believed that this action should be done. The USCC had been open for seven (7) years. The City could look at this again. She was unsure how material the report would be to the investor. General Obligation bonds were tied to the City's taxing authority.

Mr. Hales stated, the City has five (5) years of operations. There are limits. The City's outlook for the next five (5) years needs to be realistic. The USCC must operate in the real world – the competitive marketplace. He cited the national recession. The USCC needed to be a part of the City's long term financial plan. The City would benefit from outside viewpoints/insights.

Alderman Hanson questioned the possibility of the state filing for bankruptcy. He cited hyper-inflation. Mr. Krzyskowski noted the reduced interest rate and principle pay back. The City would accelerate debt repayment. This was a short term sacrifice. He questioned whether the City's liquidity level would be impaired. He believed that the dollar amount was modest. Quicker reduction of debt level would be viewed as a positive.

Alderman Purcell questioned the time and line payment. He questioned where the dollars would come from and the relationship of these bonds to the City's other bond issues. Ms. Given noted that there would be fewer dollars from the General Fund needed to cover bond payments. She referred Council to page 19 of the handout (Repurchase-Refunding Opportunities Are Market Driven and Must be Executed promptly and with Precision), stating that the City is currently at week two (2). The total time allotted was seven (7) weeks.

Alderman Purcell questioned the City's payment to Chapman and Cutler. Ms. Given noted that there would be a fixed fee as part of the bond issue. She had not looked at the same. One component would be the size of the issue from the bond proceeds.

Alderman Purcell stated that $29 million in bonds would be paid off in 2020. Mr. Krzyskowski reminded the Council that the total bonded debt was $29 million. The City would refunding $10 million by 2020. Alderman Purcell noted that there would still be an outstanding balance. He questioned refinancing other bonds at a future date. He added that there were bond issues running concurrently.

Alderman Fruin cited the potential for a lower interest rate. This proposal appears to be appealing, and cited the state's financial condition. He questioned whether there would be any adjustment to sales tax revenue, and addressed the City's bond rating. He questioned whether there would be local interest in the bond purchase, and inquired as to who the bonds would be sold to. Mr. Krzyskowski stated, these bonds would be for $10 million and be qualified and tax exempt. Bids would be taken from throughout the Midwest. There would be an income tax incentive for banks.

Alderman Stearns left the meeting at 6:43 PM.

Alderman Hanson noted the level of trust in state government. He believed that there was a downside to refinancing. Mr. Krzyskowski compared the City's credit rating to that of the state. He stated, recent state income tax increase did not result in a credit rating upgrade. He believed that the market was looking for expense austerity. There was no downside to entering the market at this time. The state's credit rating would be unknown.

Mayor Stockton noted that in terms of risk, the City would be refunding bonds with unfavorable terms. The City would set the rate. He cited the City's good recovery and stated that it is his hope that the City cash flow issues would not repeat themselves. The ERI (Early Retirement Incentive) payments would end soon. There are some risk but he believed that the City was on its way back. He added that the state might end its Local Government Distribution Funds, (LGDF) and sales tax payments. Such action would create hardship, and it was unlikely and unmanageable.

Ms. Givens stated, the issue was dollars placed towards taxable bonds. Profits must in excess of $1 million for there to be a potential problem. There were options such as 1.) Refinance taxable bonds; 2.) Renegotiate contracts; and 3.) Increase expenses. She addressed the need for a feasibility report (an independent assessment.).

Mayor Stockton addressed private use/private payment. The City would need to address all five (5) contracts.

Mr. Hales noted the time spent on this issue. The Coliseum was a significant asset. The building was five (5) years old. The City will need to make reinvestments/upgrades. The larger bond payments were further out. The City would make expenditures/investments in the facility. The staff was competitive. Another option is to lay this item over until March 28, 2011. The City could not do any outreach to the investors. This item involved a lot of money. It would be a complex transaction. Mr. Krzyskowski stated, if the City waited an additional two (2) weeks, that it would be difficult to complete the refinancing by May 2011.

Mayor Stockton stated that there were alternatives from no action to laying this item over.

Alderman Hanson stated his comfort with this item. This was not the City's first bond refinancing. He expressed his confidence in the team.

Mayor Stockton noted that two (2) Council members were absent.

Alderman Fruin referred to the Council memo, and expressed his belief that this is the right thing to do.

Mr. Hales stated that the City's finances had showed significant improvement. This action would result in significant savings and was a part of the City's long term financial plan. He noted that six (6) council members were present who offered their support.

Mayor Stockton noted that there appeared to be Council consensus. He cited the Council's intention to use nay operating profit to pay off bonds. Alderman Purcell believed that this refinancing would start the clock on this process. Mr. Krzyskowski could make no guarantees regarding response. He was familiar with the market. He believed the results would be favorable.

Mr. Hales believed that there were other options beyond doing nothing or refunding. He believed that there was great value and benefit to refinancing. He recommended the same, and acknowledged the absence of two (2) council members. He recommended that Council amend its Regular Meeting Agenda by addressing this item first.

He reminded the Council that Budget Work Sessions were scheduled for Saturday, March 19 and 26, 2011. A Citizen's Budget Open House would be held on Tuesday, March 29, 2011 from 6:00 – 8:00 pm. Alderman McDade would be unable to attend on Saturday, March 19, 2011.

Alderman Sage arrived at 7:10 pm.

Mr. Hales noted other possible dates for Budget Work Session, Monday, March 21 and/or Monday April 4, 2011). He questioned the format that would work for the Council. He planned to start the General Fund.

Alderman Hanson questioned the format of the meeting. Mr. Hales recommended that the Council focus on general issues such as services provided. Department reviews should be limited to five (5) minutes presentations. The Council should focus on the budget philosophy, financial highlights and fiscal strategy. He addressed the 2011 Action Agenda and budget resources. The Action Agenda was linked to the budget which addressed the Strategic Plan. Alderman Hanson expressed his preference for a global strategy.

Alderman Schmidt addressed the Citizen's Budget Open House. Mr. Hales noted that it would be similar to last year. Citizens would be able to raise fiscal/operational questions.

Mayor Stockton recommended that Budget Work Sessions begin with general philosophy and its application to specific departments. He requested that the Council reserve March 19, and 26, 2011 from 8:00 a.m. until 4:00 p.m.

There being no further business, the meeting adjourned at 7:22 pm.

CITY OF BLOOMINGTON	ATTEST
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Tari Renner, Mayor Stephen Stockton, former Mayor	Cherry L. Lawson, City Clerk for Tracey Covert, former City Clerk