

UNION CITY
CALLED MEETING
MONDAY, APRIL 14, 2008
CITY OF UNION CITY
6:30 P.M.

Present: Mayor Ralph Moore, Council Members Angelette Mealing, Shirley Jackson, Brian Jones, and Vince Williams and City Administrator Richard Bray, City Clerk Jacqueline Cossey

The meeting was called to order at approximately 6:30 p.m.

1. Presentation to Council on Series 1999 Taxable Adjustable Mode Revenue Bonds for Jail Authority.

David Gray, Morgan Keegan & Company, Inc. spoke regarding the Jail Authority Bond issue related to the capital markets. He stated that the 1999 Bond was a taxable variable issue that repriced weekly. He further stated that in 2006 the Jail Authority entered into a Swap Agreement which locked up the deal in a fixed rate of 5.5%. Mr. Gray stated that the original issue was insured by MBIA, an AAA insurer. He stated that last year the firms involved in the sub prime business had their credit impacted. He further stated that today there are two insurers that are really marketable and, unfortunately, MBIA is not one of them. He added that they were asked to look at refunding this issue, about \$8.5 million outstanding into a fixed rate. Mr. Gray stated that when you refund this issue you will have to pay off the Swap. He further stated that within its existing term there is about 10 years left which drives up the total debt service when you add in the cost of terminating the Swap. He added that they looked at extending it 15 years which produces a lower payment schedule. Mr. Gray stated that the options on the table are; refund with existing term and the debt service would go up vs. extending a few more years, out to 15 that would reduce the debt service. He further stated that it accomplishes paying off the old debt and it is a lower interest rate. He added that they are considering a fund placement with a financial institution opposed to a public offering.

Angela Hudson, Finance Director, recommended to Council that the Jail Authority research their options. She stated that a decision should not be made until they have looked at everything.

Mr. Gray stated that once they are authorized they will solicit institutions and place one that gives them the best transaction and less cost. He further stated that if they went with a publicly offered transaction they would have to go through the process of marketing, grading which would incur additional costs. He added that it is more efficient to go direct. Mr. Gray stated that they are offering to act as the Jail Authority advisor to solicit the marketplace. He further stated that they could work with the FY06 financials. He added that if they went to the marketplace they may be required to provide fresh audits and go through a rating process which would be time consuming.

Mayor Moore stated that we are trying to stop the bleeding before November's payment.

Dennis Davenport, City Attorney, stated that with private placement there is no need for the bond insurance which is causing the biggest part of this problem. He further stated that it is based on the stability of the Jail Authority and primarily Union City. He added that there is a much lower threshold of risk because you are not being rated on the good grace of a bond insurance company. He further added that it is based on who you are and what your credit history is.

On motion of Councilmember Jackson, seconded by Councilmember Williams and carried, a recommendation was made to the Jail Authority to research options, 3 to 1. Councilmember Mealing cast the descending vote.

ADJOURNMENT

On motion of Councilmember Jones, seconded by Councilmember Mealing and carried, the meeting was adjourned.

Jacqueline R. Cossey, City Clerk

Ralph Moore, Mayor

