MINUTES OF AN ANNUAL ORGANIZATIONAL MEETING AND SPECIAL MEETING OF THE MICHIGAN CITY REDEVELOPMENT AUTHORITY FEBRUARY 4, 2021

The Michigan City Redevelopment Authority convened in a meeting via Zoom and streaming live on My Michigan City, Indiana Facebook, on Thursday, February 4, 2021, at 4:00 p.m. local time; the date, hour, and place duly established for the holding of said meeting. The meeting was hosted by Skyler York, Executive Director of Redevelopment.

An organizational meeting is required by State Statute IC 36-7-14.5-9 for the purpose of electing a president, vice-president, and secretary-treasurer to perform the duties of those offices. The board may also elect an assistant secretary-treasurer.

CALL TO ORDER

Assistant Secretary-Treasurer Skyler York called the meeting to order at approximately 4:03 p.m.

ROLL CALL

Members present:
William Gertner, Nicholas Walz

Members absent:
1 vacancy

Staff present:
Executive Director Skyler York, Administrative Assistant Debbie Wilson

Others in attendance:
John Hendricks, Redevelopment Commission; Andrew Mouser, Baker Tilly; Randolph Rompola, Barnes & Thornburg.

A quorum was noted, and the meeting proceeded.

REORGANIZATION – ELECTION OF OFFICERS

Mr. York noted for the record that 2020 officers were Nicholas Walz, Vice-President; William Gertner, Secretary-Treasurer. Mr. York said he serves as Assistant Secretary-Treasurer. There is still one vacancy to be appointed by the Mayor.

Mr. York opened the floor for nominations for Vice-President.

Mr. Gertner made a motion to continue with the same roles as in 2020 with Nicholas Walz as Vice-President and himself as Secretary-Treasurer.

Mr. Gertner and Mr. Walz indicated their willingness to serve in those positions again this year.

There were no other nominations, therefore nominations were closed.

Mr. Walz seconded the motion. With a motion and second on the floor, the nominations were unanimously approved by voice vote.

2021 officers are: Nicholas Walz, Vice-President; William Gertner, Secretary-Treasurer; and Skyler York serving as Assistant Secretary-Treasurer. There is one vacancy.

Vice-President Walz resumed the chair and proceeded with the meeting.

RESOLUTION 1-2021

RESOLUTION 1-2021 OF THE MICHIGAN CITY REDEVELOPMENT AUTHORITY AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF MICHIGAN CITY LEASE RENTAL REVENUE REFUNDING BONDS, AUTHORIZING THE EXECUTION OF AN ADDENDUM TO LEASE AND APPROVING CERTAIN MATTERS RELATED THERETO (ELSTON GROVE HISTORIC DISTRICT RECONSTRUCTION PROJECT REFUNDING)

Mr. York noted that Andrew Mouser and Randolph Rompola were present via ZOOM to talk about the refunding.

Mr. Mouser introduced himself being with Baker Tilly who serves as financial advisor to the Redevelopment Commission, explaining that on an ongoing basis they monitor Redevelopment debt for potential refunding savings. He stated it works like refinancing a home mortgage in that when market rates are low you can be locked into a lower rate which in turn saves money on monthly payments. With a bond issue the payments are made twice a year, so those semi-annual payments can be lowered. He noted that this was done in 2019 with the 2010 bonds. This is common because when bonds are issued, they typically have an 8-10 year call period. During the 8-10 years they cannot be paid off early or refunded. With these bonds being issued in 2011, they are at the 10 year call where the refunding can be done later this spring. This resolution would approve that process.

Mr. Mouser provided a shared screen showing the annual savings. He explained that the current payments are about $490,000/year; based on current market interest rates those payments can be brought down by about $25,000-$30,000 to about $460,000. Those payments will be about $10,000-$15,000 lower on a semi-annual basis. Total savings for the remaining 8 years would be around $200,000; a net present value worth about $171,000 today. The terms on the bonds will not change; they will still be paid off at their previously scheduled final maturity date of February 1, 2028. This refunding would just lock in a lower interest rate to help bring the payments down.

Mr. Mouser referred to the existing bonds stating that the remaining interest rates range from 3.250% on the shorter maturity out to 4.000% on the later maturities. The current interest rate environment is incredibly low, so he said they are projecting rates could range from 0.330% on the front end to 1.020% on the back end. It would take the 3.250% net rate remaining and bring it down to a net rate below 1%. That is where the savings are being generated. Those savings are all net of financing costs (professional fees, underwriting fees, funding the debt service reserve) when the new bonds are issued. He noted that in the resolution there are a couple parameters which are high end numbers as far as the maximum par amount and the maximum interest rate because they wanted to give some flexibility as they go out and price the bonds. He said they anticipate coming in well below that maximum par amount and maximum interest rate which will generate substantial savings for the Authority and Commission.

Mr. Gertner asked for clarification on the cost to do this, and if it is approximately $230,000.

Mr. Mouser replied that they are currently estimating the total cost in the range of $100,000-$150,000. He said the cost of issuance would cover an underwriting fee, Mr. Rompola's fees, and Baker Tilly's fees, bond ratings, etc. He stated that the savings shown are net of all those costs included.

Mr. Gertner commented that they should definitely be taking advantage of the current rate environment regardless of the cost to reissue. He said they will make this money back quickly with the new interest rate.

Randy Rompola explained that the resolution lays out some of what Mr. Mouser mentioned. The bonds were previously issued in 2011 for the Elston Grove project, with about $3 million currently outstanding. The resolution authorizes refunding any or all of those. The intent is to refund all of them but depending upon the interest rate environment there may be some benefits of refunding only a portion of them, although that is not likely. Mr. Rompola stated that the 2021 bonds would be authorized in an amount of $3,250,000 with an interest rate not to exceed 5%. If the interest rate was at 5%, they would not be reissuing bonds, but they have a general rule of 4-5% as a marker because it must be listed out in the resolution.

Mr. Rompola referred to Section 2 of the resolution, stating it authorizes an addendum to the lease. He recalled that the bonds are issued by the Authority and then the project is leased to the Redevelopment Commission, the Commission then pays the TIF revenues to the bond trustee (the lease payment made to the Authority). He stated that this financing is payable from TIF revenues, but it is backed by a tax levy, and that is why they are able to get the best interest rates in the market. The resolution authorizes an addendum to be entered into which is for the purposes of reducing the lease rental payments that the Commission would make. The Commission would see the savings annually.

Mr. Rompola referred to Section 3 of the resolution, stating that there is a Trust Indenture currently in place that secures the bonds. The Trustee receives the payments. They will likely do a Supplemental Indenture authorizing US Bank as the Trustee, so they would just continue in that role.

Mr. Rompola stated that Section 4 authorizes an escrow agreement. The bonds are currently refundable beginning in May 2021. They would look to price the bonds in April and close in May. There would be an escrow agreement where the refunding bonds would be deposited, and then 30 days later the old bonds are paid off. Bond holders are required to get 30 days' notice of any redemption, and they can't send that notice until they actually close on the new bonds; they will close on one day, then 30 days later they will redeem the old bonds.

Referring to Section 5, Mr. Rompola stated that the bonds would be sold pursuant to an offering document (an Official Statement). Baker Tilly would prepare the document with financial details and then the underwriter will take that out into the market. There is also a Continuing Disclosure contract that is signed which relates to ongoing disclosure that the Redevelopment Commission would make with respect to these bonds. He noted that the Commission does this on annual basis with help from Baker Tilly for that requirement.

Mr. Rompola explained that Section 6 provides for the sale of the bonds. To give flexibility they authorize either a public sale where notices are published in the newspaper indicating that these bonds will be sold on a certain date and the underwriters can bid, or they authorize a negotiated sale by identifying an underwriter. He noted that in this case the recommendation is to go the negotiated route because it allows being able to time the market better. Mr. Rompola stated that Baker Tilly has been working with an underwriter to generate the numbers. He stated that the savings would best be reflected going that route.

Mr. Mouser indicated that was correct, adding that on Monday's Redevelopment Commission agenda there will be an agreement to hire that underwriting firm. He said the numbers he shared tonight are actually their read on the market within the last couple weeks; they have been tracking the numbers alongside them. He agreed with Mr. Rompola in that this allows monitoring of the market better, so you aren't going out and selling bonds and hoping there is savings. Mr. Mouser said they are able to get on a call with the underwriter the day before and know what interest rates they are going out with and make sure those rates still generate the type of savings they are showing. If they don't, then there is no reason to continue with the bond sale at that point.

Mr. Rompola continued stating that Section 7 of the resolution deals with the ratings and credit enhancement. He said they don't anticipate credit enhancement because of the tax backup, although there would likely be a rating. This authorizes the Authority to do what they need to do with respect to the rating.

Mr. Rompola stated that Section 8 authorizes all the documents to be signed. He pointed out that getting a third person on the Authority would help with signatures. Mr. Rompola stated that mid to late April they would send documents over for signatures.

Mr. Rompola summarized that the resolution authorizes the Authority to proceed with refunding based on the parameters and generating the savings as discussed. He noted that because this is a refunding, there are no other meetings required for the Authority. If the Authority adopts the resolution tonight, then it goes before the Redevelopment Commission on 2/8/21 to adopt a similar resolution, and then the Common Council must approve it as well. After all the approvals it will just be the question of getting the rating and getting into the market.

The chair entertained a motion.

Motion by Mr. Gertner – seconded by Mr. Walz approving Resolution 1-2021 of the Michigan City Redevelopment Authority AUTHORIZING THE ISSUANCE OF ONE OR MORE SERIES OF MICHIGAN CITY LEASE RENTAL REVENUE REFUNDING BONDS, AUTHORIZING THE EXECUTION OF AN ADDENDUM TO LEASE AND APPROVING CERTAIN MATTERS RELATED THERETO (ELSTON GROVE HISTORIC DISTRICT RECONSTRUCTION PROJECT REFUNDING). Voice vote was as follows: (Ayes) William Gertner, Nicholas Walz – 2; (Nays) None – 0. With a vote of 2 ayes and 0 nays, the MOTION CARRIED.

GENERAL DISCUSSION
(None)

PUBLIC COMMENT
John Hendricks (Redevelopment Commission) commented that the Redevelopment Commission will be considering a resolution at their 2/8/21 meeting for refunding the Wabash Street bonds. He asked if anything must be done at this meeting for that.

Mr. Rompola replied that Wabash Street was done as a non-lease financing; done solely as a Redevelopment District Bond, so the Authority is not involved with that, only the Redevelopment Commission.

Mr. Hendricks thanked Mr. Mouser and Mr. Rompola for getting back with him by email on the developer backed bonds because it was very helpful.

Mr. Rompola commented that it was a good question because it is not intuitive. When looking at deals around the state it is usually somewhere in the 85%-90% range that goes to the developer. The developer will usually ask for 100%. He said there are clients that are willing to do 100% because they want to make sure the project happens in the community, particularly if it is a 10-12 year deal as opposed to a 20 year deal, although he said he has also seen some 20 year deals where it is 100%.

Mr. York asked Mr. Rompola what deals he has seen that are 100% and how impactful they are; if they are downtown high rises, a TOD, or if they are all over the board.

Mr. Rompola said a lot of times it is where there are manufacturing facilities that produce high wage jobs.

Mr. Mouser agreed that a lot of times it is those more high profile jobs; mixed-use, or big manufacturing bringing in 500-600 jobs, although he said they have seen communities that had a large employer leave and they are really just looking for anything and willing to give out 100% on maybe only 40 jobs just over $10/hour. He said it just depends on the community and what they need at that point.

Mr. Rompola added that sometimes you see a community where it hasn't had that kind of development happening where they might be willing to give more for the first one – get one in the door and have that see some success because then other developers will want to come. He said you might want to do the first deal on a sweeter basis and then on the next couple that come in possibly negotiate a little more tightly with them.

ADJOURNMENT

The chair entertained a motion to adjourn.

Mr. Gertner moved to adjourn – seconded by Mr. Walz and unanimously approved.

Vice-President Walz declared the meeting adjourned at approximately 4:30 p.m.

Skyler York

Skyler York, Asst. Secretary-Treasurer