



City of Grand Island

Tuesday, November 8, 2016

Council Session

Item F-3

#9611 - Consideration of Approving Ordinance for Refinancing of Heartland Event Center

Staff Contact: Renae Griffiths, Finance Director

Council Agenda Memo

From: Renae Griffiths, Finance Director

Meeting: November 8, 2016

Subject: Consideration of Approving Ordinance for Refinancing of Heartland Event Center

Presenter(s): William Clingman, Assistant Finance Director
Blaine Spady, Municipal Capital Advisors
Michael Rogers, Gilmore & Bell, P.C.

Background

The Heartland Event Center (HEC) lease purchase agreement and related bonds were originally created and issued in 2004. They were subsequently refinanced in 2011. Currently the lease purchase agreement will be paid off in June of 2025.

Discussion

The refinancing done in 2011 is eligible to be refinanced again. The estimated cost savings from this refinancing to the City is at least \$130,000. The payoff date for the lease purchase agreement will not be changed as a result of this refinancing.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Take no action or fail to approve the ordinance. This would require continued payments on the 2011 refinancing.

Recommendation

City Administration recommends that the Council approve the refinancing of the Heartland Event Center debt.

Sample Motion

Move to approve Ordinance No. 9611 that approves the refinancing of HEC.

ORDINANCE NO. 9611

AN ORDINANCE PROVIDING FOR THE PURCHASE AND LEASING OF AN AGRICULTURAL EXPOSITION AND EVENTS CENTER FOR THE CITY OF GRAND ISLAND; AUTHORIZING EXECUTION AND DELIVERY OF A FOURTH ADDENDUM TO LEASE PURCHASE AGREEMENT WITH FONNER PARK EXPOSITION AND EVENTS CENTER, INC., AMENDING AND CONFIRMING THE TERMS OF A LEASE PURCHASE AGREEMENT PREVIOUSLY ENTERED INTO, RELATING TO THE CONSTRUCTION AND ACQUISITION OF SAID EVENTS CENTER FOR USE BY THE CITY OF GRAND ISLAND, NEBRASKA; APPROVING THE EXECUTION OF DOCUMENTS WITH RESPECT TO SAID FOURTH ADDENDUM; PROVIDING FOR CONFIRMATION OF THE ACCEPTANCE OF TITLE; APPROVING THE TERMS OF A TRUST INDENTURE AND SECURITY AGREEMENT; MAKING CERTAIN DETERMINATIONS WITH RESPECT TO REFUNDING BONDS TO BE ISSUED UNDER SUCH INDENTURE; AUTHORIZING THE APPROVAL OF A PURCHASE AGREEMENT AND OTHER TERMS; PROVIDING FOR THE CALLING AND REDEMPTION OF REFUNDED BONDS PREVIOUSLY ISSUED; PROVIDING FOR CERTAIN MATTERS WITH RESPECT TO THE EXEMPTION OF INTEREST ON THE REFUNDING BONDS AND PROVIDING FOR THE PUBLISHING OF THIS ORDINANCE.

BE IT ORDAINED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA (the “City”) as follows:

Section 1. The Mayor and Council hereby find and determine: that the City has previously approved the execution and delivery of that Lease Purchase Agreement dated as of October 9, 2001 (the “Original Lease Purchase Agreement”) by and between the City and Fonner Park Exposition and Events Center, Inc., (the “Corporation”), a Nebraska nonprofit corporation, which agreement has been supplemented and amended by that Addendum to Lease Purchase Agreement dated August 26, 2003 (the “First Addendum”) and further supplemented and amended by that Second Addendum to Lease Purchase Agreement dated December 1, 2004 (the “Second Addendum”) and further supplemented and amended by that Third Addendum to Lease Purchase Agreement dated September 1, 2011 (the “Third Addendum” and together with the Original Lease Purchase Agreement, First Addendum and Second Addendum, the “Existing Agreement”); that pursuant to the Third Addendum, the Corporation issued Refunding Building Bonds (Heartland Events Center Project), Series 2011, (the “Refunded Bonds”), which the Refunded Bonds were issued for the purpose of refunding the Corporation’s Building Bonds (Heartland Events Center Project), Series 2004, date of original issue — December 28, 2004 (the “2004 Bonds”), which the 2004 Bonds were issued to pay the costs of the construction and acquisition of an agricultural exposition and events center to serve the City and its inhabitants (the “Project”) and which the Refunded Bonds remain outstanding and unpaid in the principal amount of \$4,100,000; that since the Refunded Bonds were issued, the rates of interest available in the market have so declined that by the Corporation issuing its refunding bonds to provide for the payment and redemption of the Refunded Bonds, a substantial savings in the amount of yearly running interest will be made, thereby reducing the amount of payments required of the City under the Existing Agreement; that the Corporation has been formed under the Nebraska nonprofit corporation laws exclusively for purposes permitted by Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”); that it is necessary and advisable to

Approved as to Form	☐ _____
November 4, 2016	☐ City Attorney

further supplement and amend the terms of the Existing Agreement in order to provide for the refunding of the Refunded Bonds and a reduction in the payments required of the City under the Existing Agreement, as allowed by the terms of the Existing Agreement; that the documents necessary for such purposes have been prepared and said documents should be approved and their execution authorized.

Section 2. The City of Grand Island shall enter into the Fourth Addendum to Lease Purchase Agreement, with the Corporation, modifying the terms of the Existing Agreement (the "Fourth Addendum" and together with the Existing Agreement, the "Agreement") and whereby the Corporation has constructed and acquired the Project in accordance with specifications approved by the City and with a set schedule of payments relating to the acquisition of the Project and that the Fourth Addendum in substantially the form as the Third Addendum, but with such changes as an Authorized Officer (as herein defined) may approve, providing for the resetting of the amount of installment purchased payments, is hereby approved.

Section 3. The Mayor, Finance Director or City Administrator (each, an "Authorized Officer") be and they are hereby authorized and directed to execute and deliver on behalf of the City the Fourth Addendum, including any necessary counterparts, in substantially the form as the Third Addendum entered into in connection with the Refunded Bonds, but with such changes or modifications therein (specifically including the determination of the final amounts of the installment purchase payments) as to an Authorized Officer seem necessary, desirable or appropriate on behalf of the City; and said Authorized Officers are further authorized and directed to execute and deliver any other documents or certificates and to do all other things necessary or appropriate in connection with the Agreement, including causing the Refunded Bonds to be called for redemption.

Section 4. The Mayor and Council hereby confirm the approval by the City of the formation of the Corporation, including the Articles of Incorporation and Bylaws thereof and the five currently serving directors thereof; and further approve the Trust Indenture and Security Agreement (the "Indenture") from the Corporation in favor of a bank or trust company as designated by an Authorized Officer, as trustee, under which Refunding Building Bonds (Heartland Events Center Project), Series 2016, in the aggregate principal amount of not to exceed \$3,850,000 (the "Refunding Bonds") are to be issued, and the City hereby approves the issuance of the Refunding Bonds, in such principal amount (or any lesser principal amount) and bearing interest at rates as shall be set forth in the Indenture resulting in present value savings to the City of not less than \$130,000 over the debt service on the Refunded Bonds, and the sale of said bonds through (a) a private placement with a bank or (b) a negotiated sale to an underwriter as designated by an Authorized Officer, as initial purchaser, (the "Underwriter") in accordance with the terms of a Bond Purchase Agreement in the form approved by an Authorized Officer (the "Bond Purchase Agreement"), at a discount from the stated principal amounts not to exceed 1.00%, plus or minus any original issue discount or premium, is hereby approved. An Authorized Officer is hereby further authorized to sign the approval form on the Bond Purchase Agreement, term sheet or other such purchase agreement as may be necessary or appropriate in the case of a private placement, on behalf of the City and to approve at the time of closing of the purchase of the Refunding Bonds the final form of the Indenture, which Indenture shall be in substantially the form of the Trust Indenture and Security Agreement entered into in connection

with the Refunded Bonds, but with such changes as to an Authorized Officer seem necessary, desirable or appropriate on behalf of the City.

Section 5. In connection with the execution and delivery of the Fourth Addendum and the issuance by the Corporation of the Refunding Bonds, the following determinations and approvals are hereby made by the Mayor and Council:

(a) The City hereby declares, as provided in the Agreement, that it will take title to the Project (including additions) when the Refunding Bonds are discharged.

(b) The City hereby approves the Direction to Give Notice of Redemption of the Refunded Bonds in the form approved by an Authorized Officer and authorizes an Authorized Officer to direct the Corporation to execute and deliver such Direction for Call, with any changes deemed necessary and appropriate by the Corporation, to the Trustee. The City further authorizes the Authorized Officers to take any and all actions necessary and appropriate to effect the redemption of the Refunded Bonds.

(c) The Authorized Officers, or each individually, are hereby further authorized to do any and all things and execute and approve any and all documents deemed by them to be necessary and appropriate in connection with the issuance of the Refunding Bonds and the redemption of the Refunded Bonds.

Section 6. The Mayor and Council hereby state that it is the intention of the City that interest on the Refunding Bonds issued by the Corporation shall be excludable from gross income under the federal income tax by virtue of Section 103 of the Code and Revenue Ruling 63-20 and Revenue Procedure 82-26 of the Internal Revenue Service and the Mayor and Council hereby authorize the Authorized Officers (or any one or more of them) to take all actions necessary or appropriate to carry out said intention and for obtaining such interest exclusion. The City hereby covenants with the Corporation for the benefit of the purchasers and holders of the Refunding Bonds that it will make no use of the proceeds of said issue, including monies held in any sinking fund for the payments set forth in the Agreement or principal and interest on the Refunding Bonds, which would cause the Refunding Bonds to be arbitrage bonds within the meaning of Section 103 and 148 and other related sections of the Code and further covenants to comply with said Sections 103 and 148 and related sections and all applicable regulations thereunder throughout the term of said issue, including all requirements with respect to reporting and payment of rebates, if applicable. The City hereby designates the Refunding Bonds (as issued on behalf of the City) as the City's "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(B)(i)(III) of the Code and covenants and warrants that it does not reasonably expect to issue or have issued on its behalf tax-exempt bonds or other tax-exempt interest bearing obligations aggregating in principal amount more than \$10,000,000 during calendar year 2016 (taking into consideration the exception for current refunding issues), provided that the amount of the Refunding Bonds hereby designated shall be reduced as and to the extent that all or a portion of the Refunding Bonds may be determined to be "deemed designated" in accordance with the provision of Section 265(b)(3)(D) of the Code. The officers of the City (or any one of them) are hereby authorized to make allocations of the Refunding Bonds (as to principal maturities) and of the proceeds of the Refunding Bonds and debt service funds (related to

ORDINANCE NO. 9611 (Cont.)

payments due under the Agreement) of the City as may be deemed appropriate under the federal tax laws and regulations, specifically including any allocations relating to the determination of all or a portion of the Refunding Bonds as “deemed designated”. Any such allocations made and determinations set forth in a certificate by an officer of the City (which may be in cooperation with any certification provided by the Corporation) shall be and constitute authorized determinations made on behalf of the City with the same force and effect as if set forth in this Ordinance.

Section 7. In the case of a negotiated sale with the Underwriter, the Mayor and Council hereby authorize an Authorized Officer to approve, deem final and deliver on behalf of the City the Preliminary Official Statement and the final Official Statement for the Refunding Bonds, all in accordance with Rule 15c2-12 promulgated by the Securities and Exchange Commission. In the case of a private placement with a bank, the Authorized Officers are hereby directed and authorized to approve, deem final and deliver any form of private placement memorandum that may be required or requested by the bank purchasing the Refunding Bonds.

Section 8. This Ordinance shall be in force and take effect from and after its publication as provided by law.

Passed and approved this 8th day of November, 2016.

Mayor

Attest:

City Clerk