

## ADMINISTRATION AND FINANCE COMMITTEE

**DATE:** January 13, 2009

**CALLED TO ORDER:** 5:35 p.m.

**ADJOURNED:** 5:55 p.m.

### ATTENDANCE

#### ATTENDING MEMBERS

Marilyn Pfisterer, Chairwoman  
Susie Day  
Barbara Malone  
Jackie Nytes  
Joanne Sanders  
Ryan Vaughn

#### ABSENT MEMBERS

Paul Bateman

### AGENDA

PROPOSAL NO. 2, 2009 - approves the issuance of special taxing district bonds of the Redevelopment District of the City of Indianapolis, Indiana, in one or more series or issues to refund prior bonds and fund related restructuring costs

"Do Pass"

Vote: 6-0

## **ADMINISTRATION AND FINANCE COMMITTEE**

The Administration and Finance Committee of the City-County Council met on Tuesday, January 13, 2009. Chairwoman Marilyn Pfisterer called the meeting to order at 5:35 p.m. with the following members present: Susie Day, Barbara Malone, Jackie Nytes, Joanne Sanders and Ryan Vaughn. Paul Bateman was absent.

PROPOSAL NO. 2, 2009 - approves the issuance of special taxing district bonds of the Redevelopment District of the City of Indianapolis, Indiana, in one or more series or issues to refund prior bonds and fund related restructuring costs

Deron Kintner, Deputy Director, Indianapolis Bond Bank explained the Series 2002F refunding worksheet, for the Metropolitan Development Commission (MDC) (attached as Exhibit A.)

Mr. Kintner said these bonds were issued in 2002 to refund the original Circle Centre Mall bonds. In 2002 these bonds were issued as variable rate debt, which means they re-set every seven days. They were also insured by AMBACK Insurance. The insurance on these bonds is worthless and is tainting the bonds. Mr. Kintner said that this issue has caused higher interest rates or complete rejection because of the AMBACK insurance. As a result, these bonds were given to Chase Bank which is liquidating. Chase Bank will take the bonds up to 180 days and will accelerate maturity on these bonds. He said that there are two reasons for this ordinance request. The first is to refund the issuance without the bond insurance name on them to get a better interest rate, which will, also avoid that accelerated maturity by Chase Bank. He said with all of the bonds of the Consolidated Tax Increment Financing (TIF) there is a surety bond from the bond insurers that stipulates that they will make payment if the bond is drawn up on. Mr. Kintner said that because these bonds were issued as variable rate bonds, there was an attempt to hedge against interest rates by entering into a swap agreement. This agreement is currently upside down, or leaking, and it does not match. This same swap is also with Chase Bank. He said that there is a small chance they would require that this swap be terminated when the bond bank refunds these bonds.

Councillor Vaughn asked if surety bonds are not allowed to be issued on a debt service. Mr. Kintner said that the surety bonds are not available.

Councillor Nytes asked if \$129 million was the original principle of the bond in 2002. Mr. Kintner answered in the affirmative. Councillor Nytes asked if the city has been paying on this bond since 2002, should that amount be reduced. Mr. Kintner said that with the Consolidated TIF and with there being multiple bonds from the same security source, it was structured in a way in which there was very little paid down, in order to keep coverage at a number that looks attractive to the market. He said that this bond was issued with very little principle coming off for the first five or six years. Councillor Nytes asked if there is a chance that the city could get out of the bond situation without paying a swap termination fee. Mr. Kintner answered in the affirmative. He said that the bond bank has a very good relationship with Chase Bank. He said that because of the swap termination payment, the bond bank will also issue variable rate seven-day re-set bonds. The structured bonds will not change at all. Councillor Nytes asked what the source is for repayment on the bonds. Mr. Kintner said that it will come from the revenues of the Consolidated Harding Street TIF. Councillor Nytes asked should the total repayment of the bond jump from \$179 million to \$233 million, if there is a repayment schedule

that can accommodate paying off the bond. Mr. Kintner answered in the affirmative. He said that the market wants proof that there is proper coverage for the bond.

Councillor Sanders said that the amount in the proposal is different from what is on the Series 2002F Refunding worksheet. Mr. Kintner said that the amount on the worksheet may be a typo, and the amount in the resolution is the correct amount. He said the numbers on the worksheet came from the investment bankers, and it is possible that there are other costs that have been lumped into that particular line item.

Chairwoman Pfisterer asked what kind of interest rate should be anticipated. Mr. Kintner said that because these bonds will be issued with a variable rate, the rate will be 4.5 to 5%.

Councillor Nytes asked if Harding Street is a part of the Consolidated TIF. Mr. Kintner answered in the affirmative.

Councillor Sanders asked what the current interest rate is on the bond. Mr. Kintner said that in the open market it would be 10 percent because of the AMBACK insurance; however, because these bonds are not trading most of these are now with Chase Bank, which puts it closer to 5 or 6%. He added that once the bonds go to the bank, they are then subject to the accelerated maturity after 180 days.

Chairwoman Pfisterer asked when the accelerated maturity will begin. Mr. Kintner said that it will begin July 1, 2009.

Councillor Vaughn moved, seconded by Councillor Nytes, to send Proposal No. 2, 2009 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-0.

There being no further business, and upon motion duly made, the meeting was adjourned at 5:55 p.m.

Respectfully Submitted,

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Marilyn Pfisterer, Chairwoman