A Special Joint Meeting of the Ishpeming City Council and Downtown Development Authority was held on Tuesday, August 17, 2010, at 4:00 p.m. in the City Hall Conference Room. Mayor Gary Nelson called the meeting to order.

Present: Mayor Gary Nelson, Council Members Patricia Bureau, Claudia Demarest, and John Stone. Absent: Councilman Patrick Scanlon. Also present were City Manager Jered Ottenwess and City Attorney David Savu. Present: Four (4). Absent: One (1).

The purpose of the meeting was to discuss a possible bond issue utilizing TIF funds. Tom Colis, bond counsel from Miller-Canfield, was present to explain the bonding process and answer any questions pertaining to a bond issue.

Mayor Nelson stated the DDA has been discussing a possible bond issue as a current bond will be paid in 2014, interest rates are at a low level, and the DDA could complete projects in the TIF Plan.

Mr. Colis said there are different types of bond issues depending on the type of improvements and how you want to pay it back. The City would have to issue the bonds on behalf of the DDA. The first source of repayment is TIF funds, and the City pledges its full faith and credit behind it. If adequate revenue sources are not available through TIF collections, payment would be required from the City's General Fund. Any projects done under the bond issue have to be included in the TIF plan.

There are specific steps to be followed. The DDA makes a request to the City that they would like the City to issue limited tax downtown development bonds on their behalf and will be pledging TIF revenues for repayment. The City must publish a notice that it intends to issue bonds. Once the notice is published and resolutions adopted, bond specifications and plans will be prepared. The City cannot issue a tax millage to pay for these bond. The bonds can be obtained either by negotiating with a local bank or by competitive sale. A notice will be published for bids on the City's bonds. The bid will be awarded based on the lowest interest costs. The funds must be spent within three years. If the funds are not spent within three years, they will be put into an escrow account to pay off the bonds when they are due.

Mr. Savu asked what could be done if the City did not like the interest rates that came in. Mr. Colis said the bids can be rejected, and the City could negotiate with one of the banks or wait and try to sell them again. Mr. Colis stated the interest rate depends on number of years for the bonds.

Mr. Savu inquired if the existing bonds could be paid off now, and Mr. Colis stated the City cannot pay off the existing bonds. They will be payable until 2014.

Mr. Colis stated there are various ways to structure the new bonds for repayment. Interest payments will start immediately, but the principal payments can be pushed back a little. You would then pay greater interest. With fixed rate bonds, you can calculate what you need for the life of the bond issue.

Mr. Colis stated there must be an Official Statement which shows the financial condition of the City, including the City's audit statements, tax rates, taxable values, summary of labor contracts, indebtedness of other taxing entities in the community, and charter limitations. The rating of the City is what an investor will look at.

The proceeds of the bonds can be used for projects in the plan. If there is a potential project for consideration, the plan must be amended to include these projects before the bonds are issued. Before bonds are bid, the plan must include projects and approximate costs.

Mr. Colis stated the entire process can be completed in three to four months, provided taxpayers do not have an objection and call for a referendum.

Miller-Canfield will act as bond counsel. Their primary role is to put the legal documents together. A Financial Advisor drafts the majority of the official statement, provides financial guidance, and puts the bonding documents together.

Mr. Ottenwess questioned whether there are any special bonds available right now because of the stimulus funding. Mr. Colis stated there are two types of bonds; Bond America and Recovery Zone Economic Development Bonds.

For Bond America, it would involve a higher interest rate, and in return the government will pay 35% of your interest costs. There would be higher administrative costs with reports due every time the City makes an interest payment. If you miss a filing, payment will not automatically be made. Tax exempt bonds could possibly have been sold for less, and this process is generally not worth it with most bond issues of five million dollars or less.

The Recovery Zone Economic Development Bonds increase the payment from 35% to 45%. The Federal government limits how much can be issued nationally and has allocated to each county a certain amount that could be issued. Marquette County is three or four million dollars, and the City would have to request a part of the County's allocation. To take advantage of this program, the bonds must be sold and delivered in 2010. There is also a higher potential of an IRS audit.

Mr. Savu stated the City went through the County when bonding for sewer improvements and inquired if this was feasible for these bonds. Mr. Colis replied that the County is generally used for water, sewer, and some community facilities. It would not be feasible for what the DDA wants to do.

DDA Member Charlie Anderson inquired if they can do payments on a not to exceed amount per year due to fluctuating interest rates. Mr. Colis stated bonds can be issued on a not to exceed limit on what is intended to be spent.

DDA Member David Aeh said he came across a project list from about six years ago, and very little has been done. He would like to see some visible progress.

Adjournment

A motion was made by Councilwoman Bureau and seconded by Councilwoman Demarest to adjourn the meeting at 5:25 p.m. Ayes: Unanimous. Nays: None. Motion carried.

Carol Holmgren
City Manager's Secretary