

April 23, 2012 Special Meeting

Mr. Fatica, Chairman, called to order a Special Meeting of the Erie County Council at 12:00 p.m. in the Erie County Council Caucus Room, Erie, Pennsylvania. The County Clerk called the roll:

Members Present: Mr. Fatica, Chairman
Mr. Giles, Vice Chairman
Mr. Cleaver
Dr. Foust
Mr. Leone
Mrs. Loll

Members Absent: Mr. Beeman

Also Present: Douglas R. Smith, County Clerk
Joseph P. Maloney, Council CPA
Jim Sparber, Director of Finance
Sue Ellen Pasquale, Manager of Accounting

Hearing of the
Public

David DiCarlo, Erie, spoke regarding the proposed ordinance on the agenda. In January, proposals were made to County Council regarding this issue. After the analysis was done, Piper Jaffray was appointed to handle the matter based on their underwriter's discount. His firm expressed their concern and they closely watched the transaction. When it came to market, the conclusion was that this transaction was illegal. If that deal had closed as scheduled, Mr. DiCarlo believes the County would have been on the hook in excess of \$2 million plus associated legal fees. Mr. DiCarlo has the opportunity to save the County in excess of \$1.1 and would like to represent the county in this transaction.

Nick (last name inaudible), stated that the proposal Mr. DiCarlo referred to is a structure that is more efficient for the county and does not use up the refunding opportunity saving it for the future. The difference in underwriter's discounts is only about \$16,000 versus a structuring savings of approximately \$300,000.

Peter Phillippi, Managing Director of Piper Jaffray, stated that his firm was made aware by bond counsel that there was a federal tax law issue with some of the bonds being refunded. Since that time, they have been focused on solving this problem and as a result, this ordinance refunds the bonds on a taxable basis as opposed to a tax exempt basis. These bonds are pegged off treasury rates which have gone down since April 3 and that is very fortunate. Mr. Phillippi noted that as of one hour ago, there is approximately over \$1.1 in savings to be had going to market immediately after this meeting.

Roger Richards, Erie, stated that his firm represents the underwriter in this matter. In this business time is an extremely important commodity. Fortunately, if Council approves the amended ordinance and the firm is able to go to market immediately following this, a savings of over \$1million will be locked in. He noted that this is much better that was expected when this process began. He expressed concern that the market can shift and he suggests that Council approve this resolution to capture the savings.

Mr. Cleaver's
Comments

Mr. Cleaver expressed concern about the legality of this situation. He questioned whether the County would need to advertise and rebid. However, the letter from Attorney Talarico recommends passage of the ordinance.

Mr. Sparber's
Comments

Mr. Sparber explained that, on the question of legality, the problem encountered was the result of a refunding of a refunding of a refunding. Trying to manage that as a tax exempt issue was a legal barrier. Mr. Sparber stated that had this been known upfront, it would have been done as a taxable issue. Mr. Sparber further noted that the bond market has improved since then.

Agenda Amended

Mr. Giles moved to amend the agenda to include Ordinance Number 48, 2012 as a second reading. Mr. Leone seconded.

Mr. Leone's Comments

Mr. Leone stated this is no longer an issue of whether there should be a delay. If Council waits, it is like rolling the dice. He feels the issue is resolved by Council Solicitor's opinion and this should be done as soon as possible. That is the reason he will vote for this.

Mr. Fatica called for a vote on the motion to move Ordinance Number 48, 2012 to a second reading and it carried in a unanimous roll call vote.

Dr. Foust suggested that Mr. Maloney, Council CPA, provide background information on this issue.

Mr. Maloney's Comments

Mr. Maloney explained that he was informed of this matter on April 19, 2012. The issue came about because tax exempt bonds were being used to refund other tax exempt bonds that had previously been refunded. That can't be done. The issue then became how to fix the problem. The solution was to use taxable bonds to refund these issues. There are two options: to move ahead with this plan and get the savings in place or start from the beginning. The recommendation was to move ahead using taxable bonds.

Ord. 48, 2012

Mr. Smith gave a second reading of Ordinance Number 48, 2012. Mr. Giles moved to adopt; Mr. Leone seconded.

Mrs. Loll noted that Mr. Smith left out a line when reading the ordinance. The correct title of the ordinance is as follows:

Ordinance Number 48, 2012, "An Ordinance Amending County Of Erie Ordinance No. 30-12 (The "Original Debt Ordinance") for the Following Purposes: (1) To Increase the Amount of Previously Authorized Series A Tax Exempt Bonds from Seven Million Seven Hundred Ninety Five Thousand and 00/100 Dollars (\$7,795,000) up to an amount not to exceed Nine Million and 00/100 Dollars (\$9,000,000) through the issuance of "2012 Series A Taxable Bonds" (as such term is hereinafter defined), which 2012 Series A Taxable Bonds are To be issued in place of the Series A Tax Exempt Bonds authorized by the Original Debt Ordinance; (2) to accept a proposal for the purchase of the 2012 Series A Taxable Bonds and to authorize appropriate amendments to the purchase proposal previously authorized, executed and delivered to the purchaser pursuant to the Original Debt Ordinance; (3) to authorize the filing of required documents with the Department of Community and Economic Development to effectuate the intent and purposes of this Ordinance; (4) to ratify and direct certain actions of officers; (5) to approve the official statement in respect of the 2012 Series A Taxable Bonds; and (6) to make certain other Covenants and Provisions in respect of the 2012 Series A Taxable Bonds"

Based on Council Solicitor's suggestion and Mr. Maloney's comments, Dr. Foust stated that he will go along with their recommendations.

Mr. Fatica called for a vote on Ordinance Number 48, 2012 and it carried in a unanimous roll call vote.

Adjournment

There being no further business the meeting adjourned at 12:17 p.m.

Ann Bruno, Council Secretary
