

# Rogers Waterworks and Sewer Commission

February 6, 2012

## Minutes

The Rogers Waterworks and Sewer Commission held a special called meeting at 11:30 AM, Monday, February 6, 2012, in the Commission Room of the Rogers Water Utilities Administration Building. Commissioners present were Don Kendall, Jene' Huffman-Gilreath, Guy Cable, Roger Surly, and Travis Greene. Rogers Water Utilities (RWU) staff in attendance were Tom McAlister, Mark Johnson, and Joyce Johnson. Others in attendance were Deputy City Attorney Jim Clark, City Attorney Ben Lipscomb, Jim Alexander, Patricia Quinn, Ron Pyle, and Charlie Roberts of Morgan Keegan, Bob Wright of Crews Associates, John Gore of the NWA Morning News, and Jill Grimsley Drewyor of the Mitchell William Law Firm. Chairman Greene called the meeting to order at 11:30 PM.

Greene recognized Bob Wright, Senior Managing Director of Crews and Associates. Wright gave the Commission a proposal for the advance refunding of an outstanding 2004 Rogers water revenue bond. Wright said that the 2004 issue was back-weighted to level debt service payments until 2019, when another bond issue was to be paid off. The average coupon on the remaining bonds was about 4.7%, he said. In today's market, he estimated that a new bond issue, defeasing the existing 2004 bond issue, might have an average coupon of about 3.2%, saving the water department about \$350,000 present value over the next 12 years, or approximately 3.8% net present value. Wright said that the par amount of the outstanding issue was \$7.645 million. He estimated the par amount necessary to recall the outstanding bonds at \$8.8 million, since the bonds were not callable until 2014. The proposed 2012 refunding issue would fund an escrow account to service the debt until 2014, when the 2004 issue would be defeased. Wright said his numbers were very conservative, since if the bonds would obviously not be closed by February 1. Since that date was not feasible, he said that the bond closing would be more like May 1, 2012, and the present value would go up slightly, since the monthly debt service would be paid for out of system revenue, not the refunding bond proceeds.

There were a few questions and comments. Huffman-Gilreath asked if there was a market for such low yield bonds. Wright said there was a good market for such bonds, since Rogers had a good rep in the market. What would the rate (on the new bonds) be? Someone asked. Wright said that the average coupon would be market driven, but he was comfortable with the rates on his hand out, as long as the market did not "take off". Wright then left the meeting.

Greene recognized Charlie Roberts of Morgan Keegan. Roberts said that Morgan Keegan was a local company with an office in Rogers. He recounted that his company had a long history of helping the City of Rogers and RWU with its public financing needs. He then brought Patricia Quinn, Senior Analyst, to the podium.

Quinn outlined an aggressive, specific proposal with deadlines and dates that must be met. She proposed a “bank qualified” bond issue, since it would save RWU money, and since the City of Rogers had no plans to issue bonds this year. She said that May 1 was the target date to close the bond issue. She presented the Commission with bond pricing estimates that showed a present value savings net of \$480,000, or 6.5%. Quinn talked at length about whether or not bond insurance would be worth the money. She said that the bond insurer was not rated highly, and that the insurance would have to save 59 basis points to be cost-effective.

Ron Pyle and Jim Alexander of Morgan Keegan, both expressed their desire to continue to work for Rogers Water Utilities. With that, the representatives of Morgan Keegan left the room.

Kendall asked the staff for an opinion regarding the two proposals. Joyce Johnson said that she was able to reconcile the two proposals up to a point, and thought the difference might be that Crews Associates was more conservative in their initial bond pricing. McAlister said that RWU had used Morgan Keegan many times, and had used Crews Associates once. He said there was no legal requirement for a formal selection process. Ben Lipscomb said that Morgan Keegan was the lead underwriter on the City’s sales tax bond issue, and Jim Fowler, Morgan Keegan’s Managing Director, had a long term relationship with the City going back over twenty years.

There was a motion by Cable, second by Greene, to select Morgan Keegan as underwriter for the proposed 2012 water advance refunding bond issue. All in favor, motion carried.

Greene recognized Jill Drewyor of Mitchell Williams. Drewyor reminded the Commission that her firm had served as bond counsel to the Commission for its last three issues. She said that her firm had an office in Rogers, and that Mitchell Williams wanted to continue to serve the Commission as bond counsel.

There was a motion by Kendall, second by Cable, to select the Mitchell Williams Law Firm for bond counsel. All in favor, motion carried.

The bond underwriters were brought back in and the Commission informed them that Morgan Keegan had been selected, and thanked Bob Wright of Crews Associates for his interest.

The meeting adjourned at 12:15 PM.

Respectfully submitted,

A handwritten signature in blue ink that reads "Tom S McAlister".

Tom McAlister, Acting Secretary  
Rogers Waterworks and Sewer Commission