

15

City Council Meeting as a Whole
Pension Obligation Bonds
August 18, 2014

President Cavo called the Committee Meeting to order at 8:05 p.m. in the City Council Chambers.

COUNCIL MEMBERS PRESENT: Michael J. Haddad Sr., Jack Knapp, Warren Levy, Gregg William Seabury, Colleen A. Stanley, Andrew Wetmore, Irving M. Fox, John Priola, Vinny DiGilio, Christopher J. Arconti, Joe Cavo, Peter Nero, Fred Visconti, Benjamin Chianese, Paul T. Rotello, and Joseph Scozzafava

COUNCIL MEMBERS ABSENT: Philip D. Curran and Thomas J. Saadi had family obligations, Elmer Palma and Duane E. Perkins has business obligations, and Marina Loyola is recovering.

PRESENT: 16 ABSENT: 5

ALSO PRESENT: Mark D. Boughton, Mayor; Laszlo L. Pinter, Deputy Corporation Counsel; David St. Hilaire, Director of Finance; Antonio Iadarola, Director of Public Works, and other interested parties

Pension Obligation Bonds

A motion was made by Gregg William Seabury and seconded by Colleen A. Stanley to adopt the Resolution and an Ordinance entitled, an Ordinance appropriating \$50 million for deposit to the City of Danbury's Retirement Plan to fund a portion of the City's unfunded past benefit obligation and authorizing the issuance of not-to-exceed \$50 million taxable General Obligation Bonds of the City to meet said appropriation was introduced and set forth by the Bond Counsel and shall be placed before the electorate at the referendum to be held November 4, 2014.

Finance Director David St. Hilaire introduced the team - Corporation Counsel Laszlo Pinter, Assistant Finance Director Dan Garrick, Financial Advisor Matt Spoerndle Managing Director of Phoenix Advisors LLC, Underwriter Alex Shih Sr. Vice President of Raymond James; Actuary Bill Woolocott Vice President Hooker & Holcombe; Bond Counsel Glenn Santoro, Esq. Partner at Robinson & Cole LLP; and (not present) Auditor Scott Bassett, CPA Partner at McGladrey LLP. Mr. St. Hilaire discussed pension obligation bond potential benefits and risks and ways to mitigate those risks. He outlined current assets and liabilities in the retirement plan and the City's conservative strategies and excellent credit rating. The team provided a presentation and overview of pension obligation bonds and showed examples of the plan including estimated unfunded liability payments, payments before and after bond issuance, hypothetical savings, asset allocation projections and projected returns. The team responded to Council questions regarding interest rates, the ARC, projected and historical earnings, balanced portfolios, recent changes in retirement plans for newer employees, public perceptions, bond costs, State approval process, past service costs, and other project details.

The motion carried 13-2 with Councilmembers Fred Visconti and Benjamin Chianese dissenting, and Councilmember Levy abstaining.

The Committee ended discussion of this item at 9:50 p.m.

Respectfully submitted,
Lori Goor
Recording Secretary

15-1



RESOLUTION

CITY OF DANBURY, STATE OF CONNECTICUT

_____ A.D. 2014

RESOLVED BY THE CITY COUNCIL OF THE CITY OF DANBURY

RESOLUTION PROVIDING FOR SPECIAL CITY MEETING

RESOLVED: That the ordinance entitled "An Ordinance Appropriating \$50,000,000 For Deposit To The City Of Danbury's Retirement Plan To Fund A Portion Of The City's Unfunded Past Benefit Obligation And Authorizing The Issuance Of Not Exceeding \$50,000,000 Taxable General Obligation Bonds Of The City To Meet Said Appropriation", adopted by the Council on _____, be submitted for approval or disapproval at a Special City Meeting to be called by the Mayor pursuant to Section 7-10(a) of the Revised City Charter and held in conjunction with a referendum on November 4, 2014, between the hours of 6:00 o'clock A.M. and 8:00 o'clock P.M. (E.S.T.), that the warning of said meeting states the question to be voted on as follows:

1. Shall the ordinance entitled "An Ordinance Appropriating \$50,000,000 For Deposit To The City Of Danbury's Retirement Plan To Fund A Portion Of The City's Unfunded Past Benefit Obligation And Authorizing The Issuance Of Not Exceeding \$50,000,000 Taxable General Obligation Bonds Of The City To Meet Said Appropriation", adopted by the City Council at its meeting held _____, 2014, be approved?

The ballot label for said question shall read as follows:

Shall the \$50,000,000 appropriation and bond authorization for deposit to the City of Danbury's Retirement Plan be approved?

YES _____ NO _____

The warning shall also state that the full text of the aforesaid ordinance is on file, open to public inspection, in the Office of the Town Clerk, that the vote on the aforesaid bond ordinance is taken under the authority of Section 7-10(a) of the Revised Charter of the City of Danbury and Chapter 152 of the Connecticut General Statutes, as amended, and that absentee ballots will be made available in accordance with law in the Office of the Town Clerk.



ORDINANCE

152

CITY OF DANBURY, STATE OF CONNECTICUT
CITY COUNCIL

_____ A.D. 2014

Be it ordained by the City Council of the City of Danbury:

AN ORDINANCE APPROPRIATING \$50,000,000 FOR DEPOSIT TO THE CITY OF DANBURY'S RETIREMENT PLAN TO FUND A PORTION OF THE CITY'S UNFUNDED PAST BENEFIT OBLIGATION AND AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$50,000,000 TAXABLE GENERAL OBLIGATION BONDS OF THE CITY TO MEET SAID APPROPRIATION

RESOLVED:

Section 1. The sum of \$50,000,000 is appropriated by the City of Danbury (the "City") for deposit to the Employee's Retirement Plan of the City (the "Retirement Plan") to fund a portion of the City's unfunded past benefit obligation, to finance any reserves necessary or desirable to secure the Pension Bonds (defined herein) and for administrative, printing, legal and costs of issuance related thereto.

Section 2. To meet said appropriation, not exceeding \$50,000,000 taxable general obligation bonds of the City (the "Pension Bonds") shall be issued as serial bonds or term bonds, or a combination thereof, in one or more series, maturing not later than twenty (20) years from the date of issuance thereof. The aggregate principal amount of the Pension Bonds of each series to be issued, the annual installments of principal, redemption provisions, if any, the certifying, registrar and transfer agent and paying agent, the date, time of issue and sale and other terms, details and particulars of the Pension Bonds, including the rate or rates of interest, shall be determined by the Mayor and Director of Finance all in accordance with the provisions of section 7-374c and all other applicable provisions of the General Statutes of Connecticut, Revision of 1958, as amended (the "Connecticut General Statutes").

Section 3. The Pension Bonds may be sold in competitive offerings or negotiated underwritings, as shall be determined by the Mayor. If sold in a competitive offering, the Pension Bonds shall be sold at not less than par and accrued interest on the basis of the lowest net or true interest cost to the City, as shall be determined by the Mayor. A notice of sale or a summary thereof describing the Pension Bonds and setting forth the terms and conditions of the sale shall be published at least five (5) days in advance of the sale in a recognized publication carrying municipal bond notices and devoted primarily to financial news and the subject of state and municipal bonds. If the Pension Bonds are sold in a negotiated underwriting, the provisions of the bond purchase agreement shall be approved by the Mayor, the City Treasurer and the Director of Finance.

The Pension Bonds shall be executed in the name and on behalf of the City by the manual or facsimile signatures of the Mayor and City Treasurer, bear the city seal or a facsimile thereof, be certified by a bank or trust company, which bank or trust company may be designated the registrar and transfer agent, be payable at a bank or trust company, and be approved as to their legality by Robinson & Cole LLP, Bond Counsel. The Pension Bonds shall be general obligations of the City and each of the Pension Bonds shall recite that every requirement of law relating to its issue has been duly complied with, that such bond is within every debt and other limit prescribed by law, and that the full faith and credit of the City are pledged to the payment of the principal thereof and the interest thereon.

The net proceeds of the sale of the Pension Bonds, after payment of underwriter's discount and other costs of issuance, shall be deposited in the Retirement Plan.

Section 4. Interest on the Pension Bonds may be includable in the gross income of the holders thereof under the Internal Revenue Code of 1986, as amended (the "Code"), and it is hereby determined that the issuance of the Pension Bonds bearing such rate or rates of interest includable in gross income under the Code is in the public interest.

Section 5. With respect to the issuance of the Pension Bonds, the Mayor and Director of Finance, or either of them, shall take all actions necessary or desirable to comply with the terms of Section 7-374c of the Connecticut General Statutes (the "Pension Statute"), including without limitation making the necessary submissions to the State of Connecticut Office of Policy and Management and the Office of the Treasurer of the State of Connecticut in order to issue the Pension Bonds and comply with the requirements of the Pension Statute.

IN ACCORDANCE WITH SECTION 7-374c(c)(1)(G) OF THE PENSION STATUTE, THE CITY AGREES, AS LONG AS THE PENSION BONDS ARE OUTSTANDING AND TO THE EXTENT REQUIRED BY LAW, TO APPROPRIATE FUNDS IN AN AMOUNT SUFFICIENT TO MEET THE CITY'S ACTUARIALLY REQUIRED CONTRIBUTION AND CONTRIBUTE SUCH AMOUNTS TO THE RETIREMENT PLAN. IN THE EVENT THAT THE CITY FAILS TO APPROPRIATE SUFFICIENT FUNDS TO MEET THE ACTUARIALLY REQUIRED CONTRIBUTION IN ACCORDANCE WITH THE PENSION STATUTE, THERE SHALL BE DEEMED APPROPRIATED AN AMOUNT SUFFICIENT TO MEET SUCH REQUIREMENT NOTWITHSTANDING THE PROVISIONS OF THE CONNECTICUT GENERAL STATUTES, THE CITY CHARTER, OR OF ANY CITY ORDINANCE OR RESOLUTION.

Section 6. The Mayor and Director of Finance, or either of them, are authorized to prepare and distribute one or more Preliminary Official Statements and final Official Statements of the City for use in connection with the offering and sale of the Pension Bonds.

Section 7. The Mayor and Director of Finance, or either of them, are authorized to (a) negotiate with or cause the negotiation with financial institutions ("Bond Insurers") to obtain one or more financial guaranty insurance policies ("Insurance Policies") on such terms and conditions as shall be determined to be in the City's best interest, if feasible, (b) appoint one or more Bond Insurers to additionally secure the principal of and interest on the Pension Bonds and (c) execute and deliver commitments and reimbursement agreements for Insurance Policies and such other documents pertaining thereto.

Section 8. The Director of Finance is hereby authorized, on behalf of the City, to enter into agreements or otherwise covenant for the benefit of bondholders to provide information on an annual or other periodic basis to the Municipal Securities Rulemaking Board (the "MSRB") and to provide notices to the MSRB of material events as enumerated in Securities and Exchange Commission Exchange Act Rule 15c2-12, as amended, as may be necessary, appropriate or desirable to effect the sale of the Pension Bonds authorized by this ordinance. Any agreements or representations to provide information to the MSRB made prior hereto are hereby confirmed, ratified and approved.

Section 9. The Mayor and Director of Finance, or either of them, is authorized to, and if any such action shall heretofore have been taken by the Mayor and Director of Finance, such action is hereby ratified and confirmed, (a) publish such notices, to hold such hearings, to make such representations and agreements, and to take such other actions as shall be necessary to enable Bond Counsel to render its opinions as to the validity of the Pension Bonds, (b) to make, execute and deliver all such additional and supplemental documents, including, but not limited to any tax compliance agreements, tax certificates, tax forms, investment agreements or assignments, and (c) to do and perform such acts and to take such actions as may be necessary or required for the consummation of the transactions provided for and contemplated by this ordinance.

Section 10. This ordinance shall take effect on the twenty-first day after publication upon its adoption and approval by a two-thirds vote of the members of the City Council in accordance with the provisions of the Pension Statute and upon its approval by the election.

Section 11. This ordinance shall become effective upon its approval at a Special City Meeting called by the Mayor for such purpose, pursuant to the revised City Charter.