

Official

TOWN COUNCIL MINUTES Special Meeting May 16, 2007

CALL TO ORDER: Chairman G. Longfellow called the meeting to order at 6:30 pm.

PRESENT: Michael DiBitetto, James Gorton, Jason Hyde (arrived at 7:40 pm), Mike Jolin (excused), Paul Loiselle, David Ross (arrived at 7:40 pm), Patricia Rueppel, Stuart Werksman, Chairman George Longfellow and David Jodoin (Town Administrator)

PLEDGE OF ALLEGIANCE:

PUBLIC INPUT:

Joanne McHugh, School Board Chair stated that the School Board Legal Council has informed them per RSA 162-K, the Town will have to bring the school board into negotiations on the proposed TIF District. The School Board will wait for the Council's invitation. Ms. McHugh thanked the Council.

OLD BUSINESS:

Senate Bill 56 Legislation

At the Council meeting on May 9th, Mr. Ed Dupont, NH Department of Transportation introduced SB 56 to the Council. The bill would reclassify Hackett Hill Road and turn over the road to the Town.

Ed Dupont: I should update you on where we are on the legislature schedule. The chair of the committee, Candice Beauchard had planned a special public hearing next Tuesday afternoon to talk about the amendment on SB 56. We were not successful in getting the amendment drafted today. I think we'll be in trouble trying to get something done this year. We'll possibly have to wait until next year to do the legislation. The deadline for notice on public hearing was at 6 pm tonight. I have not spoken with Cabela's on how this will impact their decision process. I have the latest version of the amendment we worked on today as follows:

Amendment to SB 56:

Hackett Hill Road in the Town of Hooksett; Classification changed to Class V. The Class II portion of Hackett Hill Road in the Town of Hooksett, beginning at the junction of Route 3A continuing to the west approximately 7/10 miles to the present town portion of Hackett Hill Road, shall be reclassified as a Class V highway. The reclassification shall not occur until the signing of all agreements necessary to build the proposed improvements and the acceptance of the proposed improvements by the Town of Hooksett and the NH Department of Transportation. Effective date of July 1, 2007.

Chairman G. Longfellow: Do you want us to hash this out tonight?

E. Dupont: The sooner we put this legislation in the works the better. I am not sure if it could be discussed but we could try if we could agree on the amendment.

P. Loiselle: If we were to make a motion to accept the language in this amended bill, we will have to send a letter to Cabela's stating that the acceptance of this amendment is contingent upon their proposal.

E. Dupont: Rep. Humphries expressed concerns with introducing the amendment prior to having all the agreements in place.

M. DiBitetto: I don't think this will be a pivotal issue, although it came in rather late in the process.

P. Loiselle: To clarify, we did have a dialogue with Cabela's in what they can expect to offer with our accepting Hackett Hill. We have that in writing, don't we?

D. Jodoin: Those details have not been finalized yet. They were discussed at the public hearing.

P. Loiselle: It's a shame to lose six months to a year. Obviously, Cabela's is either going to complete the project or not.

Jeff Larrabee: I just want to mention as a developer of the project, that there is no risk. If this is subject to this Town's satisfaction of the road, there is no risk. The Town is not going to be stuck. But I can tell you, that there is a risk you'll lose Cabela's and this whole thing, including the \$1.5 million for the sewer project with this delay. There are so many moving parts in this whole thing that there is a chance you might lose this deal. There's no risk by signing this. If you don't sign it, there is a risk. You have nothing to lose by signing it. Without signing it, you might have everything to lose.

J. Gorton: I do see one risk with the Town accepting this road even with all the verbal agreement. That only covers the life of the bond issued, which is 20 years. At which time that portion of the road comes back to the Town forever. The warrant article clearly stated that there will never be an impact on the taxpayers. That road becomes a responsibility of the Town.

J. Larrabee: After 20 years you'll have 2 or 3 million dollars in extra revenue.

M. DiBitetto: Let me just say to Mr. Larrabee and all with all due respect. No one has come in and said what the timeline of this project is. Cabela's has not said this has to be done by a certain date. I was not, and I don't think the Council as whole has been apprised that this needs to be done in this calendar year. We thought this was one of the later things that would wrap the package neatly. Please explain why we haven't had better communication on it.

J. Larrabee: With the addition of all the traffic improvements and all these, the expense of all these improvements have escalated. So they will need to do some creative stuff with DOT in order to find money to do this, which we didn't anticipate 8 months ago. Without the subsidy, the model doesn't work and they go away. This came up in the last few months as we finished the engineering.

M. DiBitetto: It hasn't come up to us. They came to us and said they would fund it. There was no guaranty they'll get funding from the State but the State had indicated they would fund the project. This just came to us out of the blue. If we're not responding, it's because we haven't been asked to respond.

Discussion on the matter ensued.

M. DiBitetto moved to amend Senate Bill 56 as follows. Motion seconded by P. Loiselle.

*Hackett Hill Road in the Town of Hooksett; Classification changed to Class V. The Class II portion of Hackett Hill Road in the Town of Hooksett, beginning at the junction of Route 3A continuing to the west approximately 7/10 miles to the present town portion of Hackett Hill Road, shall be reclassified as a Class V highway. The reclassification shall not occur until the signing of all agreements necessary to build the proposed improvements and the acceptance of the ~~proposed~~ **completed** improvements **and the roadway** by the Town of Hooksett and the NH Department of Transportation. Effective date of July 1, 2007.*

Roll Call:

M. DiBitetto	Yes	D. Ross	Yes		
J. Gorton	No	P. Rueppel	Yes		
J. Hyde	No	S. Werksman	Yes		
P. Loiselle	Yes	Chairman G. Longfellow	Yes	6-2	Motion carried.

Newly Elected Councilor David Dickson

The Council introduced the newly elected Councilor at Large, David F. Dickson.

Cabela's Workshop

Marc Hughes, First Albany Capital: The memorandum you have before you dated May 9th, 2007 summarizes where we stand today in terms of the financing plan for the Cabela's project. There are three parties that we're trying to address coming up with these financing plan, (1) State law, (2) the Town Council and the promises the Council made to the Town and the warrant itself, (3) the investors who will buy the bond including Cabela's. This tries to capture all those concerns in a single place and do it neatly and it's not easy.

1. Creation of a Marketable Security to be purchased by Cabela's.

This means the bond is created in a way that could be bought, sold and traded in the secondary market where 10 years from now anyone would be able to purchase the bond through e-trade. It's a public security that investors can buy and trade.

a. Restrictions on Sale or Trade

- i. Sale or Trade Restrictions to be negotiated with Cabela's but tied to either coverage (i.e., tax increment in the current year is at least equal to 2.0 times (?*) maximum annual debt service on the Bonds), time (i.e., Cabela's may not sell or trade the bonds for 10 years (?) or some other agreed upon provisions that satisfy the Town) (*Looking for directions from the Council.)**

Sales and trade restrictions will be placed on the security in a way that Cabela's will have a real vested interest in the ultimate outcome of the project, which could be done in several different ways. (1) Make sure that the project is up and running and successful for a number of years before selling and trading the securities. (2) Set a factor where the securities could be traded when TIF District is generating 1.5 times the security cost and (3) to have Cabela's hold the bond for a set amount of time.

- ii. Traveling "big boy letter" that restricts the transfer of the security to other investors unless the provisions in 1 a (i) are met.**

This will be attached to the security itself, which explains the risks and obligations that go with it.

- iii. Other restrictions as may be required by the Town.**

2. Financing structured to adhere to State Law Requirements and Town Warrant.

This was added for Cabela's benefit.

3. Eligible Costs to be Tax-Exempt (?)

For the benefit of the Town as well as Cabela's, this covers what are tax-exempt under Federal Laws. Interest is lower, debt service is less, the bond gets paid quicker.

4. Coupon and Yield (Price), Redemption and Prepayment Provisions to be negotiated with Cabela's.

Coupon is the interest rate that the security pays. Yield is a price paid for the bond with coupon (i.e., You pay \$103 for bonds worth \$100). Redemption is the manner in which the bond is redeemed, cancelled, called or paid off. This could be structured into the bond documents as well as paying the bond off as early as possible.

5. **Letter of Credit with “evergreen” capabilities in place by a Bank rated “A” (?*) or better.**

- a. **Initial LOC shall be for a minimum of 7 years (?) and shall be renewable through the 15th year (?), with the amount of LOC tied to the principal amount outstanding on the bonds.**

“Evergreen” means renewable for the life of the bond or until the Town decides not to renew. “A” rated or better, banks are rated by a number of rating agencies. “AAA” being the best, “BBB-“ is the lowest rating. It’s not recommended to go lower than “A”. It should be in place for a minimum of 7 years. It’s going to be renewable until the 15th year. The amount of the OLC will be tied to the principal amount of the bond.

P. Loiselle: Can we have the LOC for the duration of the bond?

M. Hughes: It’s difficult to purchase a 20-year LOC. That’s why we are recommending an “evergreen” LOC. Most banks are writing 5-7 years LOC’s and not going beyond that.

David Barnes, Divine Millimet (bond attorney): In many cases, at year-end for a 7-year LOC, it’ll be extended. So you’re always looking at a 7-year LOC.

- b. **In the event of bankruptcy by Cabela’s, collateral is immediately posted.**

This could be a requirement on the LOC. Cabela’s will be required to post a collateral immediately. They will have to put securities of some credit quality or better with the trustee to replace the LOC.

- i. **An alternative to the LOC is the posting of collateral by Cabela’s in securities rated “A” (?) or better to be held by a Trustee with collateral posted equal to the principal outstanding on the bonds.**

1. **Securities held by the Trustee will be mark-to-market (?) value and such amount can be reduced annually as principal is paid on the bonds (?).**

The Town is protected with either LOC or posting of collateral. Cabela’s will have to post collateral, which are considered permitted investments, somewhat strict, meant to protect the Town.

J. Hyde: We ought to negotiate by starting with what we think is the absolute best and let them negotiate.

M. DiBitetto: Do you anticipate any additional collateral during the period they are holding the bonds or would you suggest a, LOC only up to a point where we could sell the bonds?

M. Hughes: If they own the bond, posting a collateral would be redundant. Having a LOC would be redundant as well.

D. Barnes: The LOC would be posted at the time the bonds were issued in the event of a default. We’ll be able to then draw on the LOC to make up the difference or realize on the posted marketable securities. You want to have a third party trustee with good rating to pay the Town in the event Cabela’s go bankrupt.

D. Jodoin: This will be structured the same way as the Exit 10 TIF District. Every year, tax revenue is generated and the bond gets paid. The LOC would be based on how much tax is generated. I think you have to put your trust in Mr. Hughes. You hired him to negotiate for the TIF.

M. Hughes: The main point is that we didn't want to head down a path and be not anywhere near what you were thinking, to check that the work is being translated properly.

D. Barnes: This is a very complicated transaction with a lot of different moving pieces. Our thought was to put all these into one comprehensive document, which we're calling a development agreement. The most important piece has to do with the bond issue. We'll share this with Cabela's to make sure we're headed in the same direction. The first point, under "Parties", we are committed to dealing with the "ultimate parent" organization. That will be the party on the other side of the agreement with the Town. A General Agreement will be created in accordance with RSA 162-K. As the School Board Representative stated, there has to be a public hearing and come up with a development plan for the TIF District. The School Board will be given an opportunity to participate in the discussion. We want Cabela's responsible not just for creating its improvement but to create enough tax value in the district. We will put them on the hook for creating a minimum tax assessed value. Museum issues will be addressed. Whether it's owned by the Town or a non-profit organization. We need to be comfortable with the nature of the developments that will go on the district. There are some complicated federal tax implications with the Museum depending on how it is developed and who will actually own it.

J. Hyde: I always picture that museum as a part of the store. Some people go to the store just for the museum. Will it be easier for Cabela's to own it?

D. Barnes: That will free up some funds for other improvements and will avoid all the complicating factors.

J. Gorton: How was it done in other states?

D. Barnes: Some have created it as a condominium unit and owned separately. It's owned by the Town. For instance, they will manage it for a fee, which will be deferred at the end of the bond term. At the end of the term, they do an appraisal and buy back the museum. That's one model they've used. Having it owned by the Town makes it available to be funded from the bond proceeds and adds tax complications. It'll be easier if Cabela's owned it.

D. Ross: We also need to address the fact that here will be a period of time for construction with no income from taxes.

D. Barnes: The Town can defer principal payments for up to 5 years.

D. Ross: One of the things brought up was Cabela's would cover the payments whether there was zero dollar coming out of that district or \$5 million. The Town will not have to defer payments. We're pushing a bigger balloon payment for the Town by deferring principal payments. I would not like to see something like that.

Michael Sorel, Budget Committee member: If Cabela's is going to own the bond, in lieu of them putting of securities and collateral, will it be possible for them to pledge the bond back to the Town?

M. Hughes: Most states do not allow municipalities to invest in its own bond.

ADJOURNMENT:

The meeting was adjourned at 8:30 pm.

Respectfully submitted by,

Evelyn F. Horn
Administrative Assistant

Jason M. Hyde
Town Council Secretary