



ALBANY COUNTY AIRPORT AUTHORITY

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ACAA
APPROVED
~~7/12/10~~

**Minutes of the Special Meeting
of the Albany County Airport Authority**

May 24, 2010

Pursuant to notice duly given and posted, the Special Meeting of the Albany County Airport Authority was called to order on Monday, May 24, 2010 at 10:00 am in the 2nd Floor Conference Room in the Administration Building, located at the Albany International Airport by Chair David E. Langdon with the following present:

MEMBERS PRESENT

David E. Langdon, Chair
Dennis J. Fitzgerald
Tony Gorman
John A. Graziano, Jr.
Elliott A. Shaw
Dorsey M. Whitehead

MEMBERS ABSENT

Rev. Kenneth J. Doyle

STAFF

John A. O'Donnell
Bill O'Reilly
Margaret Herrmann

Peter F. Stuto
Doug Myers
Ginger Olthoff

ATTENDEES

None

Chair Langdon noted that there was a quorum.

1. Appointment of Refunding Bond Syndicate

Mr. O'Reilly stated that the Authority may enter the bond market to refund a portion of its outstanding bonds and to do so it may need to use a negotiated method of sale. With this in mind, the Authority issued a Request for Proposals (RFP) for Bond Underwriting Services on April 28, 2010 to market (or sell) the bonds. On May 12, 2010, it received twenty-one responses to its RFP. The Authority formed an evaluation committee that worked with the Authority's independent financial advisor Public Resources Advisory Group (PRAG) to review the proposals. The committee recommended that the following underwriting firms will be included in a syndicate to sell the Authority's refunding bonds:

- Citigroup Global Markets Inc. – Co-Senior Manager/Book Running
- Ramirez & Co. Inc – Co-Senior Manager
- RBC Capital Markets – Co-Manager
- Roosevelt & Cross – Co-Manager
- Stone & Youngberg – Co-Manager

Mr. O'Reilly stated that the Authority received twenty-one proposals for refunding bond underwriter, sixteen of which were for Senior Managing Underwriter and five of which were for Co-Manager only. The Authority formed an evaluation committee composed of himself, John O'Donnell and Margaret Herrmann with Peter Stuto serving as scribe for the committee. The committee reviewed and evaluated each of the proposals received by summarizing the proposals, discussing them with the Authority's financial advisor, the Public Resources Advisory Group, and scoring the responses. The committee made a determination to select two firms as Senior Managers and interviewed the two firms with the highest scores – one of which is a Minority owned firm. Based upon interviews with prospective Senior Managers and in consultation with our financial advisor, the committee decided to add three firms as Co-Manager to form the underwriting syndicate.

The proposal from Citigroup Global Markets, Inc.(Citi) was outstanding and the proposed yields and takedowns were deemed favorable and realistic. Citi's proposal evidenced the firm had put forth a superior effort to become familiar with the Authority, offered an excellent plan to promote the Authority's credit rating with the rating agencies and offered unique ideas like a sealed bid on the first taxable maturity. Citi has been the largest underwriter of municipal bonds in both New York and the Airport sector and has experienced airport bankers. Citi indicates a strong willingness to support the Authority's bond sales and underwrite any unsold bonds, if necessary.

Ramirez & Co. Inc. (Ramirez) is a minority firm with great distribution capability, experienced bankers and an Albany office. The firm will add a local underwriting presence and as Co-Senior Manager, Ramirez can share responsibilities in preparation for the refunding transaction, as determined by the Authority and its financial advisor. In particular, Ramirez can assist in tasks requiring underwriter's presence in Albany.

The three firms recommended as Co-Managers are RBC Capital Markets, Roosevelt and Cross and Stone & Youngberg. All three firms bring their unique distribution capabilities to certain groups of investors. The addition of these three firms will create an underwriting syndicate that should optimally penetrate the bond market for retail orders and institutional orders for both insured and uninsured bonds.

Mr. O'Reilly stated that the proposed syndicate will give the Authority the most favorable access to the bond market. Mr. O'Reilly also stated that based on the proposals received and additional calls, the evaluation committee selected the optimal underwriting syndicate for the Authority's bonds.

Mr. Fitzgerald requested a brief explanation of why the Authority was going down this road.

Mr. O'Reilly stated that the Authority is planning on refunding the Series 2008A Variable Rate Bond (AMT) due to following:

- Initial Letter of Credit (LOC) expires January 30, 2011;
- Current LOC pricing is substantially higher;
- Temporary tax provisions allow for fully tax exempt refunding, if completed by December 31, 2010;
- New Accounting Standard effective January 1, 2010 requires periodic interest rate swap effective determination to apply Hedge Accounting and avoid reporting changes in swap value as investment income/loss.
- The objective is to obtain the lowest cost of capital within desired risks.
- The current cost of Series 2008A Bond is 5.35%
- Projected cost of Series 2008A Bond is 6.71%

Mr. O'Reilly stated that the cost of the Series 2008A bonds is based upon LIBOR rates and due to changes in the market, it is unclear as to what will happen with LIBOR. He stated that he believed that now was a good time to refund the bonds to simplify capital structure, get a ratings upgrade and fix out to a stabilized rating and improve or eliminate risk.

Mr. Fitzgerald stated that it appeared that now was the time to do it Mr. O'Reilly agreed and stated that the market will get crowded later in the year due to the large volume of LOCs that will be expiring, as well as the fact that the temporary tax provisions that allow for fully tax exempt refunding expire December 31st.

Mr. Fitzgerald inquired if staff had any direct experience working with Citigroup personnel. Mr. O'Reilly stated that there was no direct experience with them; however, the firm is quite strong.

Mr. Fitzgerald inquired as to whether due diligence has been completed on the Ramirez firm regarding their M/WBE certification. Mr. O'Reilly stated that their minority status has been

confirmed. He stated that the firm was established in 1971 as one of the largest Hispanic-owned firm and they were highly qualified, having worked with NYS extensively, i.e., DASNY, MTA, and NYSEFC.

Mr. O'Donnell asked Mr. O'Reilly to discuss the schedule for the refunding. Mr. O'Reilly stated that the schedule has been accelerated with the sale planned for the end of June and a closing in early July.

Mr. Fitzgerald stated that he would recommend looking closely at the choice for underwriter's counsel to ensure satisfaction with the choice. Mr. O'Donnell stated that cost was a key factor in selection of the underwriters and staff will look at cost of services for bond counsel, as well.

Chair Langdon inquired if approval of bond counsel is being sought today. Mr. O'Reilly stated that it was not. Approval is being sought on selection of the underwriter syndicate.

Mr. Gorman inquired as to the amount of the termination fee on the swap. Mr. O'Reilly stated that it changes from day to day, as it is driven by the LIBOR curve. Mr. O'Donnell stated that it was also tied to bond costs, i.e., if the termination payment is low, bond costs will be higher and vice versa.

Mr. Shaw inquired as to the tabulation process, i.e., criteria and scoring of the proposals. Mr. Stuto stated that there were 8-10 criteria set forth in the RFP. The criteria were weighted with a point score with pricing being given the heaviest weight. A spreadsheet was prepared which included the criteria and its corresponding point values. The lead underwriter was chosen first followed by selection of the five co-managers. Our financial advisor was very active in the process providing their advice and recommendations.

Mr. Shaw inquired as to how the co-managers are paid for their services. Mr. O'Reilly stated that they are all paid based upon the sale of the bonds.

Chair Langdon stated that the Authority members were also relying on Mr. O'Reilly's extensive experience at the NYS Comptroller's office, as well as recommendations by the fiscal advisor.

Chair Langdon inquired as to where there may be criticism regarding the refunding. Mr. O'Reilly stated that there should be no criticism at this point in selecting the underwriter syndicate especially with the selection of a minority firm as Co-Senior Manager.

Mr. O'Reilly stated that there could be some criticism at the time of refunding due to the extension of debt by three years; however, the original debt issue included the three years but was taken out at the time by the Albany County Comptroller. Mr. O'Reilly also stated that a meeting was held with the Albany County Comptroller, Mike Connors, and he was amenable to the negotiated sale.

Mr. O'Donnell stated that the meeting went very well and Mr. Connors agreed to provide a letter expressing his agreement with the negotiated sale. A packet of information will be sent to him.

Mr. Gorman inquired as to whether the termination fee would be included in the bond. Mr. O'Reilly stated that it would be. He stated that the termination fee is already being reported on the Financial Statements as \$12 million in future debt costs. He stated that a financial projection will have to be prepared which will require an opinion letter on the projections from Jacobs Consultancy.

Mr. Fitzgerald inquired as to what the worst possible thing that could happen would be. Mr. O'Donnell stated that disruption of the market, i.e., rates become extraordinarily high, at which point the Authority would do nothing.

Mr. Fitzgerald inquired as to whether there would be a special meeting required in June. Mr. O'Donnell stated that there would be no Regular Meeting on June 7th, but there would be a Special Meeting later in the month.

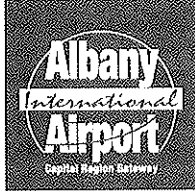
Mr. O'Reilly stated that he would prepare a revised schedule within the next few days. He stated that the Special Meeting would likely be required sometime between June 15th and June 22nd.

Chair Langdon inquired as to the contribution of the Financial Advisor, PRAG, Mr. O'Reilly stated that their contribution was significant. There were 21 proposals and they put together the summary sheet of all proposals which was very extensive. Advice was also given from all levels of their staff.

Mr. O'Donnell stated that PRAG had insight into the firms that proposed that was very helpful in the selection process.

Mr. Fitzgerald moved to authorize the appointment of said bond syndicate. The motion was adopted unanimously.

There being no further business, the meeting was adjourned at 10:50 am



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SPECIAL MEETING AGENDA

May 24, 2010

1. **Appointment of Refunding Bond Syndicate**

