

Board Minutes



Port of Greater Cincinnati
DEVELOPMENT AUTHORITY

October 19, 2013 Special Board of Directors Meeting

The Taft Center at Fountain Square, 425 Walnut Street, Cincinnati, OH 45202

1. **CALL TO ORDER**

Ms. Marmer called the Port of Greater Cincinnati Development Authority Board of Directors meeting to order at 9:08 a.m.

Board Members Present:

Greiwe, Rick	Jackson, Ed
Jacobs-Horton, Lydia	Marmer, Lynn
Robertson, Scott	Smith, David
Williams, Tom	

Board Members Excused:

Budig, Otto	Dunn, Marty
Wright, Shane	

Staff Present:

Boggs Muething, Paula	Brunner, Laura
Paul, Gail	Recht, Chris
Thomas, Susan	

Guests:

Albarran, Ramiro – Guggenheim Securities, LLC	Benjamin, Gigi – Calfee Halter & Griswold LLP
Herzner, Ann – Councilmember Laure Quinlivan	Nartker, Tom – Fox19 News
Osborne, Kevin – WCPO	Parrish, Matt - Calfee Halter & Griswold LLP
Schulte, Skip – private citizen	Williams, Jason – Cincinnati Enquirer
Williams, Mike – Local 12 WKRC-TV	

2. **WELCOME AND INTRODUCTIONS**

Lynn Marmer welcomed and introduced guests.

Ms. Marmer commended the leadership of Laura Brunner, Susan Thomas, and the rest of the staff for their work on the complex and difficult parking lease project. She also stated that this is a culmination of the due diligence that the Board of Directors, Port Authority staff, and numerous community volunteers worked together on, to take an in-depth look at this opportunity and make it better.

3. **PUBLIC FINANCE**

Laura Brunner, President/CEO and Susan Thomas, VP of Public Finance

City of Cincinnati Parking Lease

The parking lease has been a long and complicated process, and there have been hundreds of deal points to be negotiated and documented. After these months of work, while the overall transaction structure remains as originally contemplated, the Port Authority, thanks to the leadership of the Board, has significantly improved the deal to the benefit of the City, the community, and the users of the parking system.

At the March 7, 2013 Board of Directors meeting, when the Port Authority Board approved entering into the Lease and Modernization Agreement, the Board identified several areas of risk. Over the past seven months the Port Authority has worked to understand and address these concerns.

One of the first things the Port Authority did was reach out to the community. The Port Authority held three public meetings, attended multiple meetings with DCI, and responded to incoming inquiries. Through this process the Port Authority learned a tremendous amount, and these conversations resulted in recommendations to roll back the evening hours in the neighborhoods, and the creation of the "zones" in Downtown and Over-the-Rhine areas.

The Port Authority also focused its efforts on the contracts with the On-Street and Off-Street operators. The terms of the contracts have been well reported and discussed, and drafts of the contracts have been available on the Port Authority's website for almost two weeks. The term of the Xerox contract is now 10 years, and it includes rigorous performance metrics and reporting requirements. It also leaves the Port Authority the flexibility to benefit from cost reductions due to technology enhancements, and to add additional metrics as more is learned about the day-to-day operations of the system. The Off-Street contract has been reduced to three years, and is almost entirely a pass-through of expenses. Both of the contracts provide a limited amount of incentive compensation.

Separately, the Port Authority, in consultation with the City and the ParkCincy team, will serve in the role of asset manager. The original deal structure proposed by Guggenheim and chosen by the City included an independent asset manager with whom Guggenheim had previous experience. As the Port Authority was negotiating the terms of the transaction, it became clear to the underwriter that the Port Authority had a clear vision for the stewardship of these important assets and was already essentially serving in the role of asset manager. Additionally, the Port Authority will perform these services at a significant discount to the proposed out of town asset manager.

One of the significant risks identified was the structural soundness of the parking garages. As a result, the Port Authority has hired an independent structural engineering firm to evaluate these assets. Their findings, which will be made public shortly, clearly indicate that there are no significant structural problems in the short term. The model incorporates their long term capital estimates. Additionally, the Port Authority has retained an independent financial advisor to test the accuracy of the financial model and the assumptions on which it was based. This report will also be made public, and concludes that the model is a fair representation of the transaction.

As specified under the Lease, the President of the Port Authority made four appointments to the parking system Advisory Committee. Port Authority Board members Edward Jackson and Rick Greiwe have agreed to serve, along with Susan Thomas and Laura Brunner. Under the lease, Cincinnati City Manager Milton Dohoney, Jr. or his appointee will hold the fifth seat on the committee.

Port Authority staff believes that collective efforts over the past seven months have significantly refined and improved the deal and the future operations of the parking system.

Susan Thomas reminded the Board that the transaction calls for the Port Authority to issue bonds to make an upfront payment to the City of Cincinnati. The Port Authority currently expects this payment to be approximately \$85 million. In addition, the Port Authority will give a Promissory Note to the City, currently expected to be \$105 million in principal amount.

Ms. Thomas noted a few additional items. First, there have been a number of significant changes to the model over the past six months. Expected revenue has been decreased to account for the roll-back of the hours in the neighborhoods and outside of the Downtown and OTR Zones. In addition, interest rates have risen. In order to keep the debt service coverage ratio consistent with the levels the Port

Authority previously diligenced, the Port Authority expects to issue of a lower amount of debt than previously contemplated. This is important as it allows the Port Authority to maintain the flexibility necessary to effectively run the system.

As a part of this reduction in the amount of bonds issued, the City and the Port Authority have agreed that the Sycamore Garage will not be funded directly from Bond proceeds. The City Manager has indicated that he plans to recommend to City Council that the City directly fund the construction of the Sycamore Garage. This action is not expected to occur until after the closing of the bonds.

The Port Authority has not received ratings for the Bonds at this time. The key transaction documents have been submitted to the rating agencies, and the Port Authority expects to meet with them in the near future. The Port Authority expects to obtain ratings prior to closing the bonds.

Formal Action Requested – Before the board today is proposed resolution 2013-15 entitled:

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$120,000,000 PRINCIPAL AMOUNT OF PARKING SYSTEM REVENUE BONDS, SERIES 2013 (CINCINNATI PARKING MODERNIZATION) AND A PROMISSORY NOTE IN A PRINCIPAL AMOUNT NOT TO EXCEED \$105,000,000 FOR THE PURPOSE OF FINANCING COSTS OF "PORT AUTHORITY FACILITIES" WITHIN THE MEANING OF SECTION 4582.21, OHIO REVISED CODE, CONSISTING OF OFF-STREET PARKING FACILITIES, ON-STREET PARKING SYSTEM AND AN EXCLUSIVE FRANCHISE RIGHT IN ACCORDANCE WITH OHIO REVISED CODE SECTION 737.022 TO OPERATE THE ON-STREET PARKING SYSTEM, TO BE ACQUIRED FROM THE CITY OF CINCINNATI, OHIO, AND OPERATED BY THE PORT AUTHORITY, AUTHORIZING THE EXECUTION OF AN INDENTURE OF LEASEHOLD MORTGAGE, A BOND PURCHASE AGREEMENT, AND OTHER RELATED AGREEMENTS AND DOCUMENTS IN CONNECTION WITH THE FOREGOING; AUTHORIZING THE EXECUTION OF CONTRACTS FOR THE OPERATION OF THE PARKING SYSTEM AND AUTHORIZING CERTAIN ADDITIONAL AGREEMENTS FOR THE MAINTENANCE AND OPERATION OF THE PARKING SYSTEM.

The resolution authorizes the issuance of the bonds and the promissory note, the execution and delivery of financing documents, agreements with the operators, and other related actions by the Port Authority. The current draft forms of the documents and agreements are on file with the Fiscal Officer. The resolution authorizes the President and other officers to execute the documents in essentially the form now on file, with such changes as are not inconsistent with the resolution and not substantially adverse to the Port Authority.

There is one change to the resolution from the previously distributed version. On page 10, the final maturity date of the Note has been changed to "not later than June 15, 2064".

The President and Vice President of Public Finance of the Port Authority have reviewed this transaction with one or more members of the Board and recommend the adoption of this resolution.

Laura Brunner added, subject to Board approval, the Port Authority will move forward toward closing. The Port Authority currently anticipates closing the transaction by mid-November. The Port Authority is working with Xerox, Denison, and the City on the transition plan. This timetable indicates that as of January 1st the changes in the garages will go into effect. On February 1st the zone in the CBD will be in

effect, followed by the Over-The-Rhine (OTR) zone. Following that, as new equipment is placed in service, the changes in neighborhood rates will go into effect.

After some discussion on this matter, Ms. Marmer asked for a motion to approve Resolution No. 2013-15.

Motion: Ms. Jacobs-Horton moved to approve Resolution No. 2013-15. The motion was seconded by Mr. Greiwe and was approved unanimously.

4. ADJOURNMENT

The October 19, 2013 Special Board of Directors meeting adjourned at 9:24 a.m.

Respectfully,

A handwritten signature in cursive script, appearing to read "Laura N. Brunner".

Laura N. Brunner
Secretary

