New Orleans, Louisiana
January 20, 2021

The regular meeting of the Board of Liquidation, City Debt (Board) was held via video conference this date online at www.webex.com meeting number 126 792 4472, per the Governor's Proclamation 33JBE2020, and pursuant to notice duly given as provided by law. The regular meeting via video conference was called to order at 4:01 P.M. by the President, Ms. Mary K. Zervigon. Ms. Zervigon asked the Secretary to call the roll and announce the number of members present. The roll call was as follows:

PRESENT:	Mr. Johnson	SEVEN MEMBERS AND
	Mr. Kimbrough*	A QUORUM
	Mr. McDonald	
	Mr. Montaño (for Mayor Cantrell)	
	Mr. O'Connor	
	Mr. Sloss	
	Ms. Zervigon	
ABSENT:	Councilmember Moreno	
VACANCY:	ONE	
*Arrived 4:11PM		

Also present via video conference were Ms. Lisa L. Daniel, PFM Financial Advisors and Mr. Shawn Barney and Mr. Kyle Wright, CLB Porter, co-financial advisors; Mr. Jason Akers, Ms. Meredith Hathorn and Ms. Tiffaney Sporl, Foley & Judell L.L.P., and Ms. Maria Auzenne, Auzenne and Associates LLC, co-bond counsel; Mr. William R. Forrester, Jr., legal counsel; Mr. Ghassan Korban, Executive Director and Mr. Grey Lewis, Chief Financial Officer of the Sewerage and Water Board of New Orleans; and Mr. Don Wilbon, Vice President at J.P. Morgan Securities.

The notice calling the special video-conference meeting more than 48 hours prior to the date of the meeting was received and ordered filed in the minutes.

The President acknowledged the Governor's Proclamation Number 75, allowing state and municipal boards and commissions to continue to hold essential meetings via telephone and video conference. The Secretary stated that in accordance with 33 JBE 2020, Sec. 4, the meeting notice constitutes a certification by the Board of Liquidation, City Debt, that meeting by video-conference is necessary because of the social distancing mandates imposed by the Governor and the Mayor of the City of New Orleans and that the Board would otherwise be unable to operate due to the quorum requirements of La. R.S. 42:19 – insofar as they mandate the physical presence of Board members in one location.

The President stated that the minutes of the November 18, 2020, regular meeting held via video conference had been circulated to the members. She asked if there were any comments. Mr. Sloss proposed amending minutes to reflect that the resolutions appointing J.P. Morgan Securities as Senior Manager to the Refunding Sewerage Service Revenue and Water Revenue Bonds, Series 2021, state as barring any legal impediments. The minutes were then adopted as amended.

The President also stated that the auditor's letter for the month of November 2020, was emailed to each member prior to this meeting for their review. She asked the members to review the letter and address any questions to the Secretary. There being none, the monthly audit letter was ordered filed.

The President asked the Secretary to address item #4 on the agenda, a bond sale resolution authorizing the issuance and providing for the negotiated sale of not exceeding Two Hundred Fifteen Million Dollars ($215,000,000) of Taxable Sewerage Service Revenue Refunding Bonds, Series 2021, of the City of New Orleans, Louisiana, providing for the sale of said Bonds; approving the Sixth Supplemental Sewerage Service Revenue Bond Resolution; approving the Bond Purchase Agreement for the Bonds; providing for the execution of a Certificate of Determination setting forth the details of the sale of the Bonds; and providing for other matters in connection therewith. The Secretary stated the resolution would appoint J.P. Morgan Securities as senior manager and co-managers to include Loop Capital Markets; Ramirez and Co.; Bank of America; Raymond James; and Wells Fargo. He also stated the resolution would appoint Bank of New York Mellon as paying agent; U.S. Bank as escrow agent; The Arbitrage Group as verification agent; and PFM Asset Management as escrow investment agent. The Secretary asked Ms. Lisa Daniel, co-financial advisor to provide details of the bond sale. Ms. Daniel stated the necessary approvals from the Sewerage and Water Board of New Orleans (SWBNO) and Louisiana State Bond Commission (SBC) have been attained allowing for the BLCD to move forward in the sale of these bonds. She said the City Council will be considering their approval at a meeting next week, January 28, 2021. She said information has been provided to the rating agencies, Fitch Ratings and Standard & Poor's Rating and their rating reports are expected by the end of this week. She said the negotiated sale can now begin to be marketed this week and pricing in the first week of February 2021. She stated market rates have held steady while the savings opportunity still exists in the current market. She said the savings comes as the SWBNO has experienced tight budget cuts due to the COVID-19 pandemic during a fiscal year which includes heavy capital spending needs. Ms. Daniel stated the refunding scenarios propose an upfront debt service savings feature which allow for some debt service relief. She said she anticipates approximately $15,000,000 in present value debt service savings depending on interest rate volatility leading up to the sale in February. She said the refunding will be structured to reflect at least 3% present value savings in every year to 2045 and not to increase debt service in any year. Mr. Sloss asked if funding the debt service reserve funds (DSRF) in the bond sale resolution with a surety bond would affect the $15,000,000 present value savings. Ms. Daniel said that the BLCD Secretary had circulated to the BLCD members a memo from PFM reflecting a second layer of savings in the refunding to include a release of certain bond proceeds held as DSRF based on the ability to procure a surety bond policy that would fund the DSRF required for the 2021 refunding bond issue. She said a surety bond is in effect an insurance policy that would fund any debt service requirement needed in the case of any shortfall. She stated any draw on the surety policy to meet debt service would require a liability that would need to be repaid to the insurer. She stated the Sewer and Water bond resolutions both state that the DSRF would need to be replenished if used to meet debt service payments and that the surety bond requires the insurer be repaid with interest if used to make any debt service payments. She said the surety bond will not affect the $15,000,000 savings but would provide for additional funds to be made available to the SWBNO for capital projects by releasing bond proceeds from the DSRF into the construction accounts of these bond issues. Mr. Sloss stated he was referring to the $1,000,000 premium to be paid to the surety bond insurer and if that would affect the savings. Ms. Daniel stated that it would reduce the savings by the surety premium but would allow for the release of approximately $23,000,000 from the DSRF. Mr. Sloss said the savings and additional funds released from the DSRF are drastically needed for capital projects at the SWBNO. Mr. McDonald asked that once the bond proceeds funding the DSRF are released will there be any monitoring or procedures in place to regulate and track exactly how these funds are used or does the SWBNO have full discretion on how these funds are spent. Mr. Jason Akers, co-bond counsel to the BLCD, said that the General Bond Resolutions (GBR) for both Water and Sewer, require that any funds released from the DSRF can be used to either pay down the debt that is being refunded or used for capital improvement purposes. He said that the DSRF funds to be released are intended to be used for capital improvement projects of the SWBNO. He said these DSRF would be released to the bond proceeds construction funds held in the BLCD banks in the name of the SWBNO for disbursement to be drawn by warrant for approved capital bond purposes only. Mr. McDonald said that he understands that the DSRF released are available to the SWBNO categorically as capital improvement expenditures only. Mr. Akers said with the notion that Sewer DSRF be used for sewer projects and Water DSRF be used for water projects. He added that these must be qualifying capital improvements and projects with a long-term life of greater than 10 years. He said the SWBNO could not use these proceeds to purchase a short-term asset. Mr. Johnson asked Ms. Daniel if all the requirements stated in her memo to the BLCD had to be met on order to release and use these DSRF for capital projects. Ms. Daniel stated that all requirements had to be met as it relates to the DSRF requirements stated in the GBRs for both the Sewer and Water DSRF. Mr. Akers stated that any standard credit facility that has been discussed would have to satisfy all the requirements stated in the GBRs. Ms. Zervigon asked if the BLCD had used surety bonds to fund DSRF in the past. The Secretary stated that the BLCD had never used a surety bond to fund DSRF in the past. He said the BLCD has used bond insurance for marketing purposes on bond sales but not to fund the DSRF. Ms. Zervigon asked if the reason to use a surety bond now was to release certain DSRF bond proceeds for use on qualifying capital projects of the SWBNO. The Secretary stated that the surety bond would be used to support the funding of the DSRF while meeting the GBR requirements and allowing for the release of the bond proceeds currently held in the DSRF to be transferred to the bond proceeds construction fund for each issue. He said there is a risk involved in that the BLCD has relied on the bond proceed funded DSRF in the past after Hurricane Katrina and after the 2008 financial crisis when many of the bond insurers went bankrupt. Mr. Akers stated that during that time the BLCD did not have in their GBR for Sewer and Water the ability to use surety bonds. The GBRs were rewritten in 2014 to include this feature. Mr. Gernhauser said that the surety bond feature was not used in 2014 and 2015 when the BLCD issued bonds for both Sewer and Water and bond proceeds were used to fund the DSRFs. Mr. Akers said as a point of information this was the first time the BLCD has had the opportunity to debate the issue of using a surety bond. Mr. Akers said the bonds sold during that period to his recollection did not qualify for bond insurance, therefore a surety bond was not used in those bond sales. He said a surety bond is basically an addition to bond insurance. Ms. Daniel said the SWBNO did qualify and purchase bond insurance on a portion of the Sewerage Service Revenue Bonds, Series 2020B. Ms. Zervigon said that this concerns her and that she understands the role of the BLCD and that the reason it continues to exist is to make the bonds appear ironclad. She said its role is to show that a responsible party is behind the issuance and administration of each bond. She said it is not the BLCD's role to control bond proceeds spending, but to ensure the bonds are paid in a timely manner to maturity. She said she is concerned if the BLCD is meeting this duty by using a surety bond to fund the DSRF. She said the BLCD has always been a financially conservative board and felt this may be riskier than bonds sold in the past. Mr. Sloss asked if the BLCD has ever had to use the DSRF to make a debt service payment. The Secretary said the BLCD has not used

DSRF in the past. He said the BLCD was prepared to use DSRF for debt service payments on SWBNO bonds in 2006, when the SWBNO was afforded the opportunity to enter into a cooperative endeavor agreement with the State of Louisiana and borrow funds from the Gulf Opportunity Zone bonds (GO Zone) issued by the State. He said the proceeds from this loan were used to make the debt service payments on the SWBNO outstanding bonds for almost two years. He said the SWBNO will continue to pay that loan to January 2031. Mr. O'Connor said that the BLCD would still have had to use the DSRF to make the debt service payment had there not been a program like the GO Zone loan. The Secretary stated that after the financial crisis of 2008, some insured bonds were at risk when bond insurers went bankrupt, fortunately the BLCD did not use bond insurance to make any debt service payments at that time. Mr. Sloss asked if using a surety bond would affect the bond ratings. Ms. Daniel said using a surety bond would not affect the bond ratings. Mr. O'Connor stated that the risk of a surety bond may be greater than funding the DSRF with bond proceeds. Mr. McDonald asked if the SWBNO is asking the BLCD to consider this option to use released DSRF bond proceeds for capital purposes. Mr. Grey Lewis, chief financial officer of the SWBNO, stated these funds would be used immediately for qualified capital projects possibly within the next year. The Secretary said the SWBNO is in fact asking the BLCD to consider this option by the resolution passed by the SWBNO earlier today. Mr. O'Connor said pertaining to the monitoring of the construction fund proceeds the BLCD does not have the capacity to monitor projects, only the ability to keep track of the proceeds drawn. Mr. Lewis said the monitoring of the capital projects would be from the SWBNO side and funds would be drawn by warrant from the construction funds held at the BLCD. The Secretary stated that a surety bond is an option today and in the future. Mr. Sloss said there are many projects at the SWBNO in need of funding. Ms. Zervigon said it is not the role of the BLCD to determine the financial needs of the SWBNO. She said that is the role of the SWBNO and that the members should keep in mind the separate roles of each board. Ms. Zervigon asked for a motion. Mr. O'Connor stated he would like to amend the resolution to include bond proceeds as the option to fund the DSRF. Ms. Daniel asked the President if the Board could proceed with the resolution as written giving the option to use a surety bond which might afford a better interest rate on the bonds. Mr. O'Connor said this is an important decision to make on the fly without a discussion of the Board. Mr. Montaño said he would like to make a motion to adopt the resolution as written to give the SWBNO the flexibility to this financing structure. Mr. Sloss seconded. Mr. O'Connor asked if there were two motions on the floor. Ms. Zervigon said she could only hear one motion to adopt the resolution as written. Mr. O'Connor said he moved to adopt the resolution without the use of a surety bond and to fund the DSRF as a traditional cash reserve fund. Ms. Zervigon asked Mr. O'Connor to withdraw his motion to allow for a separate discussion, as Ms. Daniel mentioned, on whether to instruct about the use of a surety bond or not because that is not covered in the resolution that we are considering. Mr. O'Connor withdrew his motion. Ms. Zervigon asked if the Board was comfortable moving forward with the motion made by Mr. Montaño. Mr. Akers stated that section 9 of both the Sewer and Water resolutions contains the permissive language that Ms. Daniel mentioned, it is not a requirement, but it is permissive. He also noted that these are bond sale resolutions which requires a two-thirds majority of the membership of the Board to be adopted. He stated he recommend the resolution be adopted as provided and a subsequent motion directing the Board's intention with the DSRF. Ms. Zervigon said that is the direction and intention of the Board as Ms. Daniel stated in her explanation, that the resolution was open and that the financial team would do as instructed by the Board and that this would be how the Board wishes to instruct. Mr. Sloss asked if this motion covered both Sewer and Water resolutions. Ms. Zervigon said this motion covers only the Sewer resolution. There being no further discussion Mr. Montaño (for Mayor Cantrell) moved to adopt the resolution providing for the sale of not to exceed $215,000,000 Taxable Sewerage Service Revenue Refunding Bonds, Series 2021 (SSRB 2021), of the City of New Orleans, Louisiana, and Sewerage and Water Board of New Orleans and other matters in connection therewith. Mr. Sloss seconded and on roll call the vote was as follows:

AYES:	JOHNSON; KIMBROUGH; McDONALD; MONTAÑO (FOR MAYOR CANTRELL); O'CONNOR; SLOSS; ZERVIGON
NAYS:	NONE
ABSENT:	MORENO
VACANCY:	ONE

And the resolution was adopted.

The Secretary stated that the discussion to fund the DSRF by bond proceeds or a surety bond would require a motion to amend the adopted resolution. Ms. Zervigon asked for a motion. Mr. O'Connor moved to amend the resolution to state that the bonds would be limited to issuance of a cash reserve deposit rather than the purchase of a surety bond. Mr. Kimbrough seconded. Mr. Montaño asked for a discussion of the motion to amend to a cash funded DSRF. He stated that he could not support that motion and that he understood the financial stress of the SWBNO and the need to fund capital projects. Mr. Sloss said he opposes the motion as well due to the capital needs of the SWBNO and as he understands that the SWBNO has never drawn upon the DSRF in the past, just as an indicator. He said he is in favor of the SWBNO having the surety bond option. Mr. O'Connor said he was concerned for all credits of the New Orleans if the Board sets this as a precedent to fund all DSRF. He said that all New Orleans credit should be considered before using a surety bond as an option. Ms. Zervigon said it is not the responsibility of the Board to take care of the cash needs of these organizations. She said it is not what the Board is assigned to do, but rather to issue bonds at the best rate possible.

Mr. O'Connor moved to adopt the sale resolution of not to exceed $215,000,000 Taxable Sewerage Service Revenue Bonds, Series 2021, with the Section 9, Debt Service Reserve Funds Requirement, to reflect that bond proceeds be used to cash fund this account without the purchase of a surety bond. Mr. Kimbrough seconded and on roll call the vote was as follows:

AYES: O'CONNOR; ZERVIGON

NAYS: JOHNSON; KIMBROUGH; McDONALD; MONTAÑO (FOR MAYOR CANTRELL); SLOSS

ABSENT: MORENO

VACANCY: ONE

And the resolution failed.

As a point of clarification, the President stated that the Board adopted the Sewerage Service Revenue bond sale resolution as drafted, giving the option to use a surety bond to fund the DSRF.

The President asked the Secretary to address item #5 on the agenda, a bond sale resolution authorizing the issuance and providing for the negotiated sale of not exceeding Two Hundred Million Dollars ($200,000,000) of Taxable Water Revenue Refunding Bonds, Series 2021, of the City of New Orleans, Louisiana, providing for the sale of said Bonds; approving the Third Supplemental Water Revenue Bond Resolution; approving the Bond Purchase Agreement for the Bonds; providing for the execution of a Certificate of Determination setting forth the details of the sale of the Bonds; and providing for other matters in connection therewith.

The President asked for any discussion. Mr. Akers stated that the Water resolution is drafted exactly as the Sewer resolution only substituting Water Revenue as the difference. Mr. O'Connor stated that he understood this resolution to include the option to use a surety bond to meet the DSRF requirements of the GBR.

Mr. Montaño (for Mayor Cantrell) moved to adopt the sale resolution of not to exceed $200,000,000 Taxable Water Revenue Refunding Bonds, Series 2021 (WRB 2021), of the City of New Orleans, Louisiana, and Sewerage and Water Board of New Orleans and other matters in connection therewith. Mr. Sloss seconded and on roll call the vote was as follows:

AYES: JOHNSON; KIMBROUGH; McDONALD; MONTAÑO (FOR MAYOR CANTRELL); SLOSS; ZERVIGON

NAYS: O'CONNOR

ABSENT: MORENO

VACANCY: ONE

And the resolution was adopted.

The President asked the Secretary to address item #6 on the agenda a report from the BLCD Secretary Search Committee. The Secretary asked Mr. Ralph Johnson, chairman of the Search Committee, to address the Board with a report on the progress to select candidates to fill the position of Secretary. Mr. Johnson stated that the current Secretary has decided to retire as of December 31, 2020, taking the incentive package offered by the City of New Orleans Municipal Employees Retirement System. He will remain as Secretary working on a part time basis until his replacement is selected. He said the search committee late last year hired the executive recruiting firm, Gans Gans & Associates, to solicit candidates for the position of Secretary. He said the search committee has met with Gans Gans & Associciates and are awaiting an update from them to move the search process forward.

There being no further business to come before the Board, Ms. Zervigon asked for a motion to adjourn the meeting, Mr. Montaño (for Mayor Cantrell) moved to adjourn, Mr. Johnson seconded. There being no objections, the meeting was adjourned by the President at 4:38 P.M.

David W. Gernhauser
Secretary