Boone County Library District
Minutes, Meeting of February 15, 2007

Call to Order

Lauffer called the meeting to order at 6:02 P.M. in the Virginia Young Room of the Columbia Public Library.

Roll Call and Determination of Quorum

Board members present were Tiff Lauffer, President; Terri Brunner; and Linda Dellsperger; Pat Powell and Jessica Robinson were absent.

Also present were Melissa Carr, Director; Elinor Barrett, Kris Farris, Karen Neely, Jim Smith, and Lauren Williams, DBRL staff. DBRL Board members Patsy Craghead, Marie Glaze, Lynn Hostetler, and David Webber were also in attendance. Also present were Tom Crabtree and Laura Radcliff, A.G. Edwards.

Public Comment

There was no public comment.

Approval of Minutes

Dellsperger moved, Brunner seconded, to approve the minutes of January 9, 2007 and both sets of minutes from January 11, 2007. The motion passed.

Finance Plan

Certificates of Participation – Smith introduced Laura Radcliff and Tom Crabtree of A.G. Edwards who were in attendance to present an introduction to public financing. Radcliff began with an overview of Certificates of Participation (COPs). Radcliff reported that COPs are a common form of borrowing for public entities. She said they are an appealing option because unlike general obligations bonds, they do not require approval by a super majority of voters. COPs are set up as lease transactions (typically a trustee bank leasing the facility back to the library) and are not technically debt; payments are considered “rent,” instead of a debt payment, but they still operate the same as bonds. Because payments are considered rent, Radcliff noted that COPs do not require voter approval; however, a simple majority of the voters will need to approve the funding source. Radcliff said that Missouri is a double tax-exempt state, which allows tax-exempt COPs to have attractive interest rates. Radcliff said that COPs require a debt service reserve fund equal to approximately one year’s principal and interest payment, which requires the board to borrow a higher amount than might be necessary with other types of funding. However, due to the interest received on the money in this fund, borrowing the extra money doesn’t incur an additional cost.
Boone County Library District  
Minutes, Meeting of February 15, 2007

Radcliff then discussed leasehold revenue bonds that, while similar to COPs, are more complicated due to requiring the creation of a not-for-profit corporation to hold a leasehold interest in the facility being leased to the library. The formation of this entity makes leasehold revenue bonds a higher-cost option.

Radcliff next introduced General Obligation (G.O.) bonds, saying that while these have the lowest overall borrowing costs, the requirement of a super majority of voters to use this type of funding is a great obstacle. G.O. bonds are not subject to tax rate limits, Radcliff reported, which often makes voters uncomfortable.

Webber asked how common COPs are in Boone County and the City of Columbia. Radcliff stated that the city uses COPs, and Carr confirmed that COPs are used by other libraries.

Crabtree then reviewed the general process for issuing the debt. He said regardless of what option the board ultimately chooses, the process is the same and typically takes two months. The timeframe is dependent upon the date the voters approve the issue. He outlined the key players in the process, including the library district as the issuer of the bonds, the financial advisor, and bond counsel. In conjunction with bond counsel and library staff, the financial advisor prepares the offering document called the Preliminary Official Statement (POS), which should contain as much detail as possible for the potential investors. A sale date and time is set prior to distribution of the POS, Notice of Sale, and bid forms. Radcliff and Crabtree listed the numerous ways the POS is distributed nation-wide, including electronic posting through the Bloomberg service and hard-copy mailings. Crabtree said that the winning bid would be chosen based on the lowest overall borrowing cost to the library, with bond counsel (Nancy Lear) putting together an official resolution of acceptance for the library board to approve. Finally, a date is set for the official transfer of the bonds and receipt of the funds.

Radcliff reviewed IRS considerations for tax-exempt bonds, including the requirement that the issuer spend 85% of the bond proceeds within three years of issuance. Carr addressed this spenddown requirement, saying that it is possible to do two separate issuances, one small and one large, if we are not sure we can get both buildings constructed within the three-year window.

Radcliff then discussed the factors that affect the interest rate on the funds, saying that the rate is a function of the market and the library district’s perceived credit quality. She said that the bond rating, provided by a service like Moody’s, represents the issuer’s willingness and ability to pay. She added that bond insurance is only recommended if the cost paid for the insurance premiums is more than outweighed by the resulting savings in interest rate. In response to a board member’s question, Radcliff said that if the library district decided on two issuances, the initial interest rate would not carry over to the second issuance of debt. However, Radcliff said she did not expect that the second interest rate would be very much higher than the first. She added that 40% of a rating is qualitative and that investors will be extremely impressed by the library’s management team.

Election Update

Dellsperger suggested that she wait and give the election update during the evening’s regional board meeting, and board members agreed to her suggestion.
Boone County Library District
Minutes, Meeting of February 15, 2007

**Miscellaneous**

There were no miscellaneous items to discuss.

**Public Comment**

There was no public comment.

**Adjournment**

Dellsperger moved, Brunner seconded, to adjourn the meeting. The motion passed and Lauffer adjourned the meeting at 6:44 P.M.

Minutes recorded by Lauren Z. Williams, Financial and Administrative Associate.

_____________________________________  
Board Secretary