

AT A WORK SESSION MEETING OF THE INDUSTRIAL DEVELOPMENT AUTHORITY OF THE COUNTY OF JAMES CITY, VIRGINIA, IN THE COUNTY PLANNING AND DEVELOPMENT CONFERENCE ROOM, AT 7:00 P.M. ON THE TWENTY-NINTH DAY OF OCTOBER, NINETEEN HUNDRED AND EIGHTY-SIX.

1. ROLL CALL

Mr. Kenneth H. Axtell, Chairman
Mr. C. Hammond Branch

ALSO PRESENT

Mr. John C. Brown, Secretary
Mr. John McDonald, Treasurer
Mr. Keith Quinney and Mr. Dan Jessee of Hofheimer, Nusbaum, McPhaul and Brenner

2. MINUTES

The adoption of minutes for the October 19, 1986 meeting were deferred to the next meeting.

3. TAXABLE BOND PRESENTATION BY KEITH QUINNEY AND DAN JESSEE

Mr. Brown indicated Messrs. Quinney and Jessee were invited to attend this IDA session in order to overview taxable bonds. Mr. Brown stated the newly passed Tax Reform Act of 1986 had restricted the broad scope of tax exempt bonds including industrial revenue bonds and Messrs. Quinney and Jessee's presentation allowed an opportunity to evaluate the advantages and disadvantages of taxable bonds.

Following Mr. Brown's introduction, Messrs. Quinney and Jessee presented a one-hour overview. Their comments included the following points.

- After December 31, 1986 hotels, medical office buildings, nursing homes, hospitals, office buildings and shopping centers will no longer be considered tax exempt and eligible industrial revenue projects.

- Up to this date, virtually all taxable municipal debt has been sold to pension funds and institutional investors.

- The market for taxable bonds is new and untested.

- The first taxable municipal bond was offered three years ago.

- So far in 1986, about \$3.1 billion of taxable municipal bonds have been sold, up from \$350 million in all of 1985.

- Drexel, Burnham and Lambert, Inc., of New York is the taxable bond leader. The firm, which started over 18 months ago, has captured 46.8% of the taxable municipal market.

- The initial benefit will go to the issuer, the investment bank and the investment contractor. In addition, since the interest income produces more than the cost of the debt, the Industrial Development Authority could capture a significant windfall.

- Although a typical taxable bond would be floated for a ten-year period, there would only be a three-year window to execute the bond.

- To make a taxable bond profitable at least a \$100 million bond would need to be floated. The bond could be sponsored by the municipality or a group of municipalities. Of the \$100 million, \$75 million would be executed and \$25 million would remain in reserve.

- The taxable bond would guarantee a fixed rate interest rate over a ten-year period. Today, the interest rate would probably approach 10.75% to 11%.

A general discussion followed the presentation. A key question was whether James City County could actually execute \$75 million over three years since the IDA has executed less than \$50 million over the last three years. Several persons noted that York County was proceeding with a \$250 million taxable loan. Messrs. Quinney and Jessee suggested that the York County bond was not fully negotiated and may not be finalized.

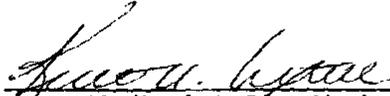
It was also noted that a taxable bond adds another development alternative to offer to future industries and even if the bond were not used it indicates the County desires industry.

4. MATTERS OF SPECIAL PRIVILEGE

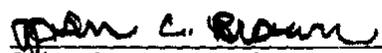
Mr. Brown indicated specific issue papers would be discussed at the next IDA meeting. He presented a sample of an IDA issue paper and listed six issue paper topics. He noted additional issue papers could still be added and requested further topical additions by the IDA.

5. ADJOURNMENT

There being no further business, the October 29, 1986 meeting was adjourned at 8:55 p.m.



Kenneth H. Axteff, Chairman



John C. Brown, Secretary

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