

# **Bond Case Briefs**

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## **Atlanta Marketed Bonds with Poison Pill for Buckhead Prior to Council Approval.**

Atlanta went to market with about \$188 million in bonds with terms of a poison pill for the Buckhead City effort the day before the Atlanta City Council met Wednesday to consider the defensive maneuver.

The bonds were presented to investors Tuesday. On Wednesday afternoon, hours after the council met to consider the poison pill, Atlanta sold about \$145 million in bonds, according to records provided by an affiliate of the Municipal Securities Rulemaking Board. The remainder was sold Thursday. Bonds were sold in various denominations

Atlanta Mayor Keisha Lance Bottoms' administration approved the presentation of the bonds to investors on Tuesday. The council's meeting Wednesday was for the express purpose of considering changes to the terms of the bonds that authorized a poison pill. It is intended to establish financial consequences, likely in the tens of millions of dollars, for parts of Atlanta that deannex, according to the legislation. The council voted around noon Wednesday to include the poison pill.

Mayor-elect and current Councilmember Andre Dickens did not attend the virtual City Council meeting, according to a record of attendance. Bottoms supported Dickens in his mayoral campaign.

The poison pill, according to the legislation, "is in the best financial interests of the City... in the event that the General Assembly of the State enacts a Deannexation Act..." The deannexation refers to the Buckhead cityhood effort.

If enacted, the provision would require Buckhead City to pay Atlanta its share of a debt — up to \$198 million — in a lump sum a year after the new city is formed, according to terms outlined in the legislation. The amount of payment is to be determined if and when Buckhead City is established. The City Council would have to vote to call the debt, under the terms of the "extraordinary optional redemption" provision.

Council Finance Committee Chair Jennifer Ide said during the meeting she had been unaware of the poison pill. Ide said several councilmembers were unaware of the poison pill language prior to reading about it in a story posted Tuesday in SaportaReport. Ide did not seek reelection to serve a second term on council.

Ide had initiated the move for the paper to be considered Wednesday, rather than as scheduled at the council's Dec. 6 meeting. Ide made the motion Dec. 6 to hold the paper for the special-call meeting Wednesday. The council voted unanimously in favor. The paper had been portrayed as a routine modification of legislation passed in October to refinance up to \$198 million in debt.

Trades were being processed even as the council met to consider the terms of the sale.

One example is a sale of bonds for a total of \$23.1 million sold Wednesday, in full, between 4:31 p.m. and 4:40 p.m., records show. The settlement date is Dec. 23, an important date because buyers have

until then to terminate the deal if the City Council changes the terms of the bond by eliminating the poison pill.

Atlanta CFO Mohamed Balla told the council during its meeting Wednesday that buyers have the option to terminate their purchases if terms were changed. Doug Selby, a veteran bond and underwriters' counsel with Hunton Andrews Kurth, LLP, concurred.

The council approved the poison pill by a vote of 11-1. Buckhead-area Councilmember Howard Shook cast the dissenting vote. Shook made a motion to remove the poison pill provision. It failed.

The poison pill vanishes if Buckhead voters reject the deannexation proposal, according to the legislation. Following a description of steps by which Atlanta can provide for the money to be collected, the terms empower voters to make it all go away.

“Notwithstanding the foregoing, in the event that the referendum question in favor of deannexation shall fail such fees, taxes, or assessments shall automatically and without further legislative action be reduced to 0.00 mills,” the provision reads.

A mill is a \$1 tax on every \$1,000 of assessed property value. The general obligation bonds to be refinanced are exempt from federal taxes and serviced with property taxes collected in the city, according to the legislation.

## **Saporta Report**

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