



CEDRIC B. GLOVER
MAYOR

ROD RICHARDSON
Director of Communications

505 Travis Street Suite 200
Shreveport, Louisiana 71101
Tel. 318.673.5008
Fax.318.673.5099
Cell.318.525.7039

rod.richardson@shreveportla.gov

PRESS RELEASE

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Mayor proposes truce in financial adviser debate

Mayor Cedric Glover is seeking to retain the services of Grigsby & Associates as the City's financial adviser in order to maintain the continuity needed to negotiate several major transactions the City is facing next year.

The 2008 financial crisis forced the City into emergency transactions on \$180 million worth of bonds. The initial issuance of these bond transactions that had to be restructured cost the City 1.5 times more in professional fees and other undisclosed fees, to enter into than it cost to correct. Additionally, it cost the City \$7.3 million to terminate seven interest-rate swaps. The 8th and final swap will cost millions more if not handled properly.

Calvin Grigsby was hired to guide the City through this financial maze, carefully negotiating and planning favorable outcomes which resulted in the City avoiding the payment of an additional \$15 million to terminate the last standing swap in unfavorable market conditions.

The first unraveling happened in 2008 to the Convention Center Hotel bonds, which saw a 4 percent monthly interest rate rise to 12 percent overnight. The financing to correct the escalating rate has been monitored but the deadline to restructure these bonds is May 31, 2014. It is the most pressing and challenging issue on the horizon and Grigsby has the institutional knowledge and acumen to navigate this process, Mayor Glover contends.

“The City needs every possible option to remain available to resolve this and several other coming bond matters so as not to constrain our ability to exercise the best option or even risk paying a 12 percent default rate on \$40 million in hotel bonds,” Mayor Glover said. “Calvin Grigsby has demonstrated more than satisfactory performance and saved this City millions during a time that saw others endure financial hardship.”

Some members of the City Council questioned using Grigsby following an internal audit that raised concerns about how he billed the City for his services. Results of the internal audit led to administrative and structural changes to the contract with Grigsby & Associates but did not prevent the council from hiring an out-of-town law firm to conduct an independent investigation.

That probe, which cost taxpayers about \$100,000, concluded that Grigsby did nothing that could be deemed unethical but indicated there were about \$670,000 in “questionable” billing that needed to be reconciled. The authors of that report also conceded that its investigative team lacked the



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background needed to fully understand the complexities of the transactions they were asked to scrutinize.

The Administration's comprehensive response to the report provided detailed answers on all the questions raised and the Council concluded that Grigsby may have overcharged the City \$53,450 related to the 2011 Bond Election. The City Council will consider a resolution to submit the dispute to binding arbitration, thus allowing Grigsby to continue working for the City. Grigsby last month paid the money to the escrow account for the purpose of settling the matter through arbitration.

The work performance and documented savings to the City have been reviewed not only by Administration Staff and the prior City Council, but also by the State Bond Commission and the financial ratings agencies. A 2010 presentation to the City Council included an extensive look at the work and billings of Grigsby & Associates. A review of the level of funds involved (hundreds of millions of dollars) and the savings to taxpayers (more than \$100 million) against the fees paid to Grigsby over a nearly five-year period (approximately \$1.3 million) did not suggest the fees were unreasonable.

In 2011, Standard & Poor's upgraded Shreveport's management practices to "good" from "standard" in a revision that indicates that the financial management practices of the City's administration have continued to improve. In October of that year, a national magazine named Calvin Grigsby one of the 75 most powerful blacks on Wall Street. The publication cited Grigsby for his exemplary financial leadership and influence.

Some of the notable transactions facilitated by Grigsby & Associates include:

- Successful negotiations to help City of Shreveport obtain ideal fixed rates, to move out of derivatives that had negative values and save millions of dollars in debt service payments.
- Advised the City pay off \$21.8 million bond debt from original \$33 million debt incurred in 2001. As a result, the City reduced its annual debt service by \$2.5 million and \$6.5 million additional interest costs through 2021.
- Reviewed financing of \$9 million Airport Cargo Facility bonds and determined the bonds were financeable on a tax-exempt basis, resulting in a savings of about \$2.4 million, plus the avoidance of more than \$500,000 in fees.

Introducing a new financial adviser would cause the City to incur additional fees because that agency would have to be brought up-to-speed on pending issues. And there is no guarantee a new adviser would perform at a level comparable to Grigsby & Associates.

"It is my strong desire to push past this impasse and avoid a predicament where the City finds itself at the last hour with limited options to cure a mandatory and difficult remarketing this spring,"



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Mayor Glover said. ``The planning basically needs to start now and no one has offered a legitimate reason not to move forward with Grigsby. So let's take all the personalities out of the equation and simply focus on what's best for the fiscal health of the City of Shreveport."`

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