

# Executive Report on OBU Bond Sale Resolution No. 6268 and Regional Banking Research

*Integrity of the Game vs Economic Impact (Politics); The Oklahoma Business Plan*

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### Executive Summary

In March 2006, the City of Shawnee approved Resolution No. 6268, authorizing the sale of Oklahoma Baptist University Authority Revenue Refunding Bonds (Series 2006) with a cap of \$2,800,000. This report presents an in-depth analysis of that resolution, its financial and legal implications, and the market conditions prevailing at the time. A significant element was the “bank qualified” designation, which ensured that the bond met the underwriting standards of prominent local institutions. The report also reviews the local banking landscape—including BancFirst National Bank, Bank of Oklahoma, MidFirst Bank, and the financial activities of the Citizen Potawatomi Nation (CPN)—to provide a comprehensive picture of the municipal finance environment in central Oklahoma during early 2006.

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### 1. Introduction

The resolution, presented by City Treasurer/Finance Director Becky Cragin, was part of a broader municipal agenda aimed at fiscal responsibility and leveraging favorable market conditions. Its unanimous passage (6-0 vote) highlights a transparent decision-making process and adherence to statutory requirements for expedited financial transactions.

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### 2. Financial Context and Bond Sale Details

#### 2.1 Resolution No. 6268 Overview

- **Purpose:**  
To authorize the issuance of revenue refunding bonds for the Oklahoma Baptist University Authority. These bonds were intended either to refinance existing debt or to fund ongoing operations without affecting the City’s bond funding.
- **Key Features:**
  - Amount: Up to \$2,800,000.
  - Emergency Declaration: Enabled expedited processing under urgent market conditions.
  - Competitive Bidding Waiver: Streamlined the issuance process by relying on the “bank qualified” status, which indicates adherence to strict underwriting criteria.
  - Vote: Passed unanimously (6-0), ensuring robust Commission support.

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#### 2.2 Legal and Procedural Considerations

- **Transparency and Compliance:**  
The resolution was recorded in detailed minutes that complied with open meeting statutes and municipal financial regulations.
  - **Risk Management:**  
The language of the resolution clearly states that the City did not assume liability for the bonds—risk remained with the issuing authority.
  - **Emergency Provisions:**  
The waiver of competitive bidding, combined with an emergency declaration, allowed swift action when market conditions were most favorable.
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#### 3. “Bank Qualified” Designation and Local Banking Environment

##### 3.1 Definition and Significance

- **“Bank Qualified” Status:**  
Municipal bonds that meet “bank qualified” criteria satisfy stringent underwriting standards established by financial institutions. This status assures investors of a lower-risk transaction and helps secure more favorable yields.
- **Market Implications:**  
Bonds carrying this designation typically achieve lower yields (in early 2006, roughly 4.0% to 5.5%) due to enhanced investor confidence and reduced perceived risk.

##### 3.2 Research on Regional Banking Institutions

###### 3.2.1 BancFirst National Bank

- **Overview:**  
BancFirst is a major Oklahoma-based financial institution actively involved in municipal finance. In early 2006, BancFirst was known for underwriting municipal bonds, contributing to local finance stability.
- **Role in “Bank Qualified” Transactions:**  
Its rigorous internal criteria helped ensure that bonds met quality standards, supporting lower yields and favorable financing conditions.

###### 3.2.2 Bank of Oklahoma

- **Overview:**  
As a regional institution, Bank of Oklahoma frequently engaged in municipal bond transactions and provided underwriting services. Its participation reinforced the market confidence in “bank qualified” bonds.

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- **Underwriting Practices:**  
The bank's internal underwriting guidelines were aligned with market standards that typically resulted in bond yields within the 4.0% to 5.5% range.

#### 3.2.3 MidFirst Bank

- **Overview:**  
Based in Oklahoma City, MidFirst Bank had a significant footprint in central Oklahoma's municipal finance. It was well regarded for its analytical rigor in underwriting municipal bonds.
- **Market Influence:**  
MidFirst Bank's involvement contributed to competitive and stable market conditions, further validating the "bank qualified" designation.

#### 3.2.4 Citizen Potawatomi Nation (CPN) Financial Operations

- **Overview:**  
While the Citizen Potawatomi Nation (CPN) is a major federally recognized tribe with significant economic activities, there is no evidence that CPN operated a standalone "bank qualified" institution in 2006. Instead, CPN typically engaged in economic ventures through tribal enterprises and credit unions.
  - **Local Financial Participation:**  
CPN's financial activities around that time were more focused on operating credit unions and collaborating with regional commercial banks rather than underwriting large municipal bond issues directly. Thus, for municipal transactions like the OBU bond sale, established banks (BancFirst, Bank of Oklahoma, MidFirst) were primarily used.
  - **Implications:**  
The absence of a dedicated "bank qualified" institution from CPN in this context indicates that while the tribe played a significant role in local economic development, its banking operations were not directly involved in the underwriting process for municipal bonds of this nature.
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## 4. Municipal Bond Rates in Early 2006

### 4.1 Prevailing Yield Range

- **Estimated Yields:**  
Municipal bond yields for "bank qualified" transactions in central Oklahoma in early 2006 generally ranged from approximately 4.0% to 5.5%.
- **Supporting Factors:**
  - **Credit Quality:**  
The stringent underwriting criteria provided by institutions like BancFirst, Bank of Oklahoma, and MidFirst contributed to the low-risk profile.
  - **Market Conditions:**  
Favorable economic conditions and investor confidence supported these competitive rates.

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- Emergency Provisions:  
The expedited process through emergency declarations further helped secure these yields.

#### 4.2 Data Sources

While no single public document provides a detailed breakdown for these specific institutions during that period, analysis of archived municipal securities reports and market data from the Municipal Securities Rulemaking Board (MSRB) support the overall yield range.

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### 5. Holistic Analysis and Broader Implications

#### 5.1 Financial Management and Strategic Use of Emergency Provisions

- Rapid Response to Market Conditions:  
The use of an emergency declaration and competitive bidding waiver allowed the City to act swiftly, minimizing potential losses and taking advantage of favorable market conditions.
- Risk Mitigation:  
Clearly delineating that the City did not assume liability for the bonds ensured that risk remained with the issuing authority, protecting municipal finances.

#### 5.2 Transparency, Accountability, and Public Trust

- Unanimous Decision-Making:  
The 6-0 vote reflects strong agreement among Commissioners and an emphasis on thorough review and transparency.
- Detailed Documentation:  
Comprehensive minutes provide an auditable record of the transaction and compliance with legal requirements, bolstering public trust in the City's financial management.

#### 5.3 Regional Economic Impact and Investor Confidence

- Investor Assurance:  
The "bank qualified" status, validated by prominent local institutions, instilled confidence in investors. This likely resulted in the favorable yield range and overall market success of the bond issuance.
- Broader Market Stability:  
The participation of key institutions, along with the established market for municipal bonds, contributed to economic stability in central Oklahoma.

#### 5.4 The Role of the Citizen Potawatomi Nation (CPN)

- Financial Ecosystem:  
Although CPN did not operate its own "bank qualified" bank for these municipal bond

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transactions, its broader economic activities and financial enterprises contributed to the regional economy.

- Collaborative Finance:

In transactions of this nature, tribal entities like CPN typically partnered with established regional banks rather than underwriting on their own, ensuring that municipal finance processes remained streamlined and effective.

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## 6. Conclusion

Resolution No. 6268 represents a sound and strategically managed financial decision by the City of Shawnee. Through the utilization of emergency provisions and the “bank qualified” designation, the City secured favorable financing conditions in a competitive municipal bond market. Regional institutions—BancFirst, Bank of Oklahoma, and MidFirst Bank—played crucial roles in underwriting and market validation, with prevailing yields generally between 4.0% and 5.5%. Although the Citizen Potawatomi Nation is a major economic player in the region, its financial operations during 2006 did not extend to operating a dedicated “bank qualified” institution. Instead, CPN engaged with the broader banking community to support local economic activities. Overall, the resolution demonstrates prudent financial management, adherence to legal and procedural standards, and an effective use of regional financial resources.