

MARYSVILLE CITY COUNCIL SPECIAL MEETING

February 6, 1996

6:30 p.m.

Council Chambers

Present: Mayor Dave Weiser
 Councilmembers:
 Ken Baxter
 Donna Wright, Mayor Pro Tem
 Otto Herman
 Mike Leighan
 John Myers
 Shirley Bartholomew
 Administrative Staff & Others:
 Dave Zabell, City Administrator
 Grant Weed, City Attorney
 Steve Wilson, Finance Director
 Janet Berg, Asst. Finance Director
 Lee Voorhees, Bond Counsel, Foster, Pepper & Shefelman
 Steve Gaidos, Pacific Crest Securities
 Wanda Iverson, Recording Secretary

CORRECTED: SEE 2/26/96
 MINUTES

CALL TO ORDER:

Mayor Weiser called the meeting to order at 6:30 p.m. with a quorum present and noted this special meeting was advertised in accordance with Washington State law to consider refunding of 1987 General Obligation Bonds on the Public Safety Building.

NEW BUSINESS:

- 1. Consideration and Action Upon Ordinance Authorizing Issuance and Sale of Approximately \$2,515,000 of General Obligation Refunding Bonds of the City for the Purpose of Advance Refunding Portions of the City's Outstanding Unlimited Tax General Obligation Bonds, 1987.**

Finance Director Wilson explained this meeting is for approval of refinancing of the \$3,000,000 Public Safety Building bonds that were approved in 1987. These bonds had a term of 25 years and there is \$2,345,000 still outstanding, at 6.7% to 7.5% interest rate over the next 16 years. The proposed refunding bond issue would be for \$2,500,000 at interest rates in 1996 of 3.5% to 5.15% in 2011 which represents a substantial savings, he said. He explained that the new issue will be paid through excess levies as was the old issue and with the "A" rating the City now has, the City will realize substantial savings in debt service.

Lee Voorhees, Foster, Pepper & Shefelman, addressed City Council. He explained a third draft ordinance has been handed out to Council and he went over all the changes from the previous two drafts. He noted all references to refunding by the City have been deleted, interest rates have been inserted as per what the

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Finance Director just indicated, and the ordinance describes how the transaction will take place as of 12/1/96. He explained that the portion of the 1987 bonds that has not been paid will be called and replaced with the new issue.

He noted the ordinance is gateway to the whole transaction: The purchase contract will be presented under Section 19 and Sections 20 & 21 are new, now required by the SEC.

Steve Gaidos of Pacific Crest Securities then explained the purchase offer and referred to the savings schedule on page 14 of the packet handed out to Council. The gross savings over the life of the bond issue would amount to \$503,311.94 which is \$351,000 at 4.8%, he said. He added that normally refunding has an interest rate of 4% or 5% but the City's new issue will earn 14% to 15% which is extraordinary. He noted Pacific Crest Securities has buyers for everything except \$200,000 as of today, so sales are going well. Some of the reasons for this are the bonds will be payable on a mandatory redemption rate and are non-callable. This gains the maximum interest rate, he explained. He added that the Treasury now only permits one refund per bond issue so there are not multiple issues of bonds for the same projects on the market.

He went on to explain that these are payable through excess levy funds and as such, the taxpayers will realize a tax savings of \$30,000 in debt service each year. He diagrammed out how the old bonds are paid for by the new bonds, explaining that funds need to be held in escrow until it is time to pay for the old bonds. He talked about cost of issuance (page 11 of the package he handed out earlier) and noted there is a 1% penalty charge for refunding these bonds but this is more than made up for in the lower interest rate on debt service payments.

He noted this is a very good time for refunding bonds and referred to the interest rate schedule. Overall, the interest payments will be at 4.827% vs 7.5% on the old bonds, he pointed out and he said the next best time could be in December but no one knows what's going to happen after the election. He explained all charges and bottom line transaction figures as of today.

He said investors reacted very positively to the new bond issue. The City carries very good fund balances plus has been upgraded to an "A" rating. If there had been an adverse financial statement, eg. when Boeing was announcing layoffs, that can affect the sale of the bonds or if you have a critical audit, that can drop the rating back to a BAA1 or the bonds may sell at a higher rate of interest.

Mr. Voorhees stated the action would be for the Council to pass the ordinance in order to permit the purchase contract and close the transaction which will lock in all the rates. He added that this offer expires at 9 p.m. this evening.

Councilmember Bartholomew moved and Councilmember Leighan seconded to approve/adopt Ordinance 2061 as recommended by Bond Counsel. Passed unanimously.

2. Consideration and Receipt of Advice Regarding the Possible Disposition of a Part of the Facilities of the City's Combined Water and Sewer Utility.

Mr. Voorhees stated the question has come up with regard to annexation in the Smokey Point area with outstanding bonds on infrastructure. He said he has checked but can't come up with a similar situation to this; this is not the same as when a city overlaps a specific utility district--in that case, there is a contract drawn up in order to transfer title over to the city and the city agrees to pay off any outstanding debt service but they couldn't find any statute for a city to city transaction, he said.

Mr. Voorhees noted Marysville agreed with the taxpayers to pay \$28,000,000 for the entire City's water and sewer and there was no agreement with Arlington at the time so Marysville would have to put money in the bond fund in propotion to the amount of the utility that is being relinquished. In other words, \$11,000,000 is the approximate worth of the infrastructure in the Smokey Point area so that would have to be paid off before relinquishing over to another entity.

He explained that Marysville's bond covenants require three calculations to determine the sale price of the Smokey Point utilities and the calculation providing the highest price must be used. So, at this point, it appears that depreciated replacement value of Smokey Point divided by depreciated replacement value of the entire system, multiplied by the amount of water/sewer bonds outstanding would be the calculation to use.

infrastructure and could probably project a means to do this but this is a very unusual situation and he advised that if Marysville is going to operate a utility in another city, Marysville needs access to the infrastructure for maintenance and the whole situation has the potential of being awkward. He warned that if the City of Marysville defaults on the bond covenants stipulating that they are to be used by certain users and kept within certain boundaries, that could hurt the City's bond rating.

Steve Gaidos pointed out that the bonds in question are not

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callable at this point and the money would have to be put in escrow until they are callable. Also, the money would earn a different (probably lower) interest rate which would then cause a negative cash flow. Regarding future debt capacity, this should not have a significant impact on the rating, he said.

Mr. Voorhees added that one factor to be considered is the growth potential of the Smokey Point area, which could be a positive factor for financing a bond issue.

Councilmember Herman pointed out that the least amount Marysville should ask may be more than any jurisdiction can afford at this point, for the infrastructure.

Councilmember Bartholomew asked about whether another jurisdiction would be allowed to pay on any kind of an installment basis.

Mr. Voorhees explained they could, but Marysville would remain the owner of the utilities until they are paid for and the City has no obligation other than present day maintenance and operation of the system, to charge and collect rates, but the City is under no obligation to expand the system. He said he believes there is a bid statute between government entities and the only likely candidates here would be the two cities or possibly selling it to PUD. But right now, Marysville must adhere to the covenants of the bond issue, he reiterated.

Mayor Weiser asked if Marysville could ever be forced to sell part or all of the system and Mr. Voorhees said he doesn't know of any law that would force Marysville to sell part or all of the system to another entity but the City is obligated to adhere to the bond covenants.

Councilmember Bartholomew asked about the value of the system and Mr. Voorhees said it would be based on the depreciated cost of the facility, it's not a revenue test.

ADJOURNMENT: 7:30 p.m.

Accepted this 26th day of February, 1996.

David Weiser
MAYOR

Mary J. Swanson
CITY CLERK

Standa A. Iverson
RECORDING SECRETARY

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**JOINT MARYSVILLE CITY COUNCIL AND
MARYSVILLE FIRE COMMISSIONERS
MEETING MINUTES**

FEBRUARY 6, 1996

7:30 p.m.

Council Chambers

Present: Mayor Dave Weiser
Councilmembers:
 Ken Baxter
 Donna Wright
 John Myers
 Mike Leighan
 Otto Herman
 Shirley Bartholomew
Others:
 Grant Weed, City Attorney
 Dave Zabell, City Administrator
 Wanda Iverson, Recording Secretary

Snohomish County Fire
District 12 Commissioners:
 Paul Rochon
 Kay Smith
Others:
 Greg Corn, Fire Chief
 Rex Tucker, Asst. Chief
 Brian Snure, Attorney
 Peggy Larson, Secretary

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| CORRECTED: SEE <u>2/26/96</u> MINUTES |
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CALL TO ORDER:

Mayor Weiser called the Joint Meeting to order at approx. 7:36 p.m. and facilitated introductions.

1. **Discussion and Consideration of Potential Arrangements with Third Parties for Regional Fire Protection and Emergency Medical Services and Possible Interlocal Governmental Agreements to Implement Such Activities.**

Chief Corn said part of the reason for tonight's meeting is to talk as a combined body and discuss regional services as well as the Smokey Point Annexation and fire services as they relate to that annexation. He said they are looking for some direction from Council with regard to fire service issues.

Why this group? He said he doesn't believe the interlocal agreement prohibits Fire District 12 or the City from entering into a partnership with a third party; he thinks the present situation is working well but he thinks it inappropriate for either party to sign an agreement with a third party without discussing it with each other first.

Regional Services. He noted several City Council people have been involved in meetings about regional services and John Garner has lead some discussions with regard to possible fire districts and department mergers. He showed several maps, one with Snohomish County divided into fire districts, most of which were formed in the 1950s. He explained that to some degree they are separate from the city government in which they are located; boundaries and emergency services are not conducive to each other.

He gave some history and told of several mergers and consolidations going on now in the state. He noted there are several areas that are considered "no man's land" which could cause future concerns.

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He talked about Fire District 20 (Lake Goodwin and Seven Lakes) which borders Fire District 12. They requested a merger study be done but first Fire District 12 would like considered the Smokey Point Annexation situation and tonight would like to get Council and Fire District 12 to look at whether they are interested in participation in a regionalized fire service, for example, merging with any of the neighboring fire districts.

He talked about the boundaries of Marysville and Arlington, the Growth Management Act mandates, whether Marysville wishes to expand its boundaries, for example to include Fire District 15 (Tulalip), 20 (Lake Goodwin), Arlington, Fire Dist. 19, 21, Getchell and/or Lake Stevens, all districts that border Marysville.

Councilmember Bartholomew asked about DNR allowing this and Chief Corn said they have no problem with mergers. He said most of the DNR property/jurisdiction is forested land and in the case of a forest fire it would require air tankers, for example, and that cost can be borne by DNR at this time but if Marysville were to take it over, Marysville would have to bear the cost of the air tankers and manpower to fight the forest fire, which can be very expensive. He said DNR is trying to encourage fire districts to take over DNR lands.

Councilmember Herman asked about different levels of service depending on whether it is a rural or urban area.

Chief Corn said the intent is to provide equal service but that doesn't always happen. He noted there are differences in level of service even in the same city; there can be a volunteer fire dept. in a more rural area with lower population, for example.

There was discussion about response time, how it has improved over the years and the merger of Fire District 12 and Marysville Fire Dept. both serving the same area but in the rural areas there has been no mergers. The tax base may not improve in rural areas so it might be more of a hardship for these areas to become part of a larger district, it was noted. One question is how a merger would benefit Fire District 12 and the City of Marysville.

Chief Corn said the advantages are that there would be elimination of a separate government entity/administration within each fire district. There will be advantages to the rural population but Fire Dist. 15 (Tulalip) has the same tax problems as part of the Marysville area: High call volume with fairly low tax support so maybe they would not be as good a partner as Fire District 20, for example, he said. He pointed out that Fire District 20 has a high tax volume, low call volume and it would be more beneficial to

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Marysville than Fire District 15, or at least not a loss. He noted that Camano Island brought up the point that mergers do not save money but they do not increase future costs.

Councilmember Baxter explained the junior taxing method in order to get more fire equipment and he gave some history of the way it was before the merger of Fire District 12 and Marysville Fire Dept.

Commissioner Rochon asked about the working relationships Fire Dist. 12 has with surrounding districts.

Chief Corn said Fire District 12 has training agreements with Tulalip, Lake Goodwin, Getchell and Lake Stevens. There are also automatic aid response agreements with these four neighboring districts. Unfortunately, he said they have no history of a working relationship with Arlington; Arlington and Arlington Heights work together and have a good working relationship. He added Fire District 12 has EMS contractual arrangements with Tulalip, Lake Goodwin and part of Getchell. They pay Fire Dist. 12 for that service and also residents are billed by Fire Dist. 12 for \$300 per call vs the service being paid for on a tax basis. He said this is going very well.

Councilmember Leighan asked about ALS providers and Chief Corn pointed that out on the map.

Councilmember Herman asked what fire service is in Arlington and Chief Corn said they have 4 full time firefighters and 45 volunteers with two fire stations: One downtown staffed during the week and one station near the Airport that is only staffed on a volunteer basis. Arlington is in Cascade Valley Hospital's hospital district; CVH serves Fire Districts 21, 18 and 19.

Councilmember Herman asked about hospital districts and Chief Corn explained that on the map and how fire districts and hospital districts compete for the same tax dollar if there is any overlap.

Chief Corn went on to say Arlington does not have a levy amount requirement, the money is collected by the Council and then doled out to the fire district as needed. The average fire district receives \$1.40 per \$1000 in Snohomish County and as a comparison, the City of Arlington provides \$1.03 to \$1.05 per \$1000 towards their fire district. Other districts receive:

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|---------------------------|---|--------|-----|--------|---------|---|------|
| Marysville (1995 figures) | - | \$1.53 | per | \$1000 | through | a | levy |
| Lake Goodwin (FD 20) | - | \$1.42 | " | " | | | |
| Tulalip (FD 15) | - | \$1.37 | " | " | | | |
| District 22 (Getchell) | - | \$1.00 | " | " | | | |

Chief Corn then talked about different kinds of mergers and different scenarios that could be looked at. For example, with a statutory merger of two districts, the lowest tax rate would supersede and the bonds are continued to be paid for by the people who voted for the bond.

Camano Island just had a merger of three fire districts and that would be a good example to draw from. A simple majority is now required in a merger/annexation of the fire district being added, he said. He noted one commissioner would be eliminated each year until you get down to the required number, in the case of a fire district with several commissioners merging with a fire district with a smaller number of commissioners. He said the trend also now is to go to a 5 person board vs 3. A statutory merger would likely result in a 3 commissioner fire board.

If Fire District 20 were to merge with Fire District 12 and the City of Marysville, the makeup of the board would probably be in proportion to the population or tax valuation of each area; you could have two commissioners from each of the 3 districts, he said. One scenario could be that one fire district would provide administrative services, another could provide the manpower and equipment, for example, he said, or operations could be functionally merged. He said there were several variations and combinations that could be worked out, depending on the needs of each of the fire districts and what each can provide.

Councilmember Leighan asked about the expansion of District 12 boundaries and a joint operations agreement with Battle Creek Golf Course.

Asst. Chief Tucker gave a brief history, explaining that 8 years ago discussions began regarding annexation to the fire district. Battle Creek has now requested to be annexed but Fire District 12 has been providing services all along.

Chief Corn pointed out that presently there are contracts with the Boeing Test Site, Biringer Farms, the Navy, the proposed new casino. When it's a government entity, there is a different type of contract, he explained, in that the fire protection is provided but the government entity does not actually pay like private enterprise does.

Chief Corn talked about general public policy and awareness of the fire districts and how they operate in the area. He asked if the City of Marysville would want to be part of a larger regional service area or if they want it to stay the same size.

Councilmember Herman asked about level of service and cost factors, i.e., if everything stays the same or better, then he would have no problem with becoming part of a regional service.

Councilmember Leighan said he feels the present relationship between Marysville Fire Department and Fire District 12 is excellent but merger with another entity could provide improvement of service over what either one alone could provide.

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Councilmember Baxter said he sees the benefit as movement of equipment, for example, more equipment and manpower would mean better response times to the whole area.

Mayor Weiser commented that the management/administrative portion may be somewhat unweildly; expansion of office space in the Public Safety Building would have to be looked at, for example.

Councilmember Baxter noted in King Co. District 10 has taken over several districts such as North Bend, Duvall, Carnation and Issaquah with some success.

Councilmember Bartholomew asked about outstanding bonded indebtedness that outside people would be responsible for.

Chief Corn said people who voted for the bond would continue to pay for the bond and the indebtedness would not be spread over the larger area. He said the district just wants some direction as far as what the Council sees as a possibility here.

Councilmember Myers talked about the possibility of building a new fire station in the event of expansion.

City Administrator Zabell noted there are certain characteristics of a merger that need to be examined such as needing it to be long term, i.e. 10 plus years. Other factors would be the economic advantages to taxpayers of the City and fire district, growth potential of the area, not wanting any reduction in level of service or loss of opportunity in levy rate, debt assumption. He suggested the possibility of a future workshop to discuss this further.

Councilmember Bartholomew asked if Fire District 20 was the only one interested in merging with Marysville and Fire District 12 and Chief Corn said they are the only ones who have approached us; Arlington has asked to talk.

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Councilmember Baxter noted Fire District 20 is a well organized, well trained district and some of the benefits would be to have more of a pool of employees to draw from.

Councilmember Bartholomew left at 8:52 p.m.

ADJOURNED INTO EXECUTIVE SESSION: 8:54 p.m.

Councilmember Myers left at 10:10 p.m.

RECONVENED: 10:25 p.m.

There was discussion about the Arlington budget and feasibility of their purchasing Marysville's infrastructure.

Councilmember Herman said he would like to see what their bond rating is and what Arlington has as far as what a revenue bond would be based on.

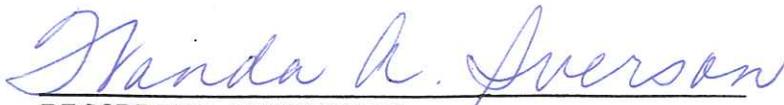
Mayor Weiser pointed out that you can't use future connections to base a bond issue on.

After further discussion, it was the consensus to send a letter to Arlington regarding fire protection services in the Smokey Point area.

Chief Corn reported on a fire in Bayview Ridge in Marysville last Sunday. He said there were some complaints about Dispatch but the tapes have been reviewed and it is felt all the complaints were unfounded. A neighborhood meeting has been called for Thursday night and the tapes will be played at that meeting. The meeting will be at 7 p.m. in the Fire Training Room.

Chief Corn summarized the whole matter of mergers and regional service as one that is quite complex and requires a lot of thought and planning before anything concrete happens.

ADJOURNMENT: 10:35 p.m.


RECORDING SECRETARY