

MARYSVILLE CITY COUNCIL SPECIAL MEETING
AND PUBLIC HEARING RE REFUNDING OF REVENUE
BONDS

APRIL 15, 1991

7:30 p.m.

Council Chambers

Present: Ken Baxter, Mayor Pro Tem

Councilmembers:

Dave McGee

Dave Weiser

Donna Pedersen

Donna Wright

Lee Cundiff

Bob Lashua

(Mayor Matheny excused)

Administrative Staff/Consultants:

Carolyn Sanden, City Administrator

Phil Dexter, Finance Director

Steve Wilson, Asst. Finance Director

Steve Gaidos, Financial Consultant

Larry Wade, Engineering Consultant

Wanda Iverson, Recording Secretary

CALL TO ORDER:

Mayor Pro Tem Baxter called the meeting to order and led the flag salute.

ROLL CALL:

Finance Director/City Clerk Dexter called the roll with all members present/absent as indicated above.

BOND ISSUE PRESENTATION/PUBLIC HEARING:

Steve Gaidos, Financial Consultant with Security Pacific, showed overhead graphs depicting the revenue bond interest rates since 3/10/83 and pointed out that the City has the opportunity of replacing (refunding) previous 8% bond issues with a much lower interest rate as of June 1. He said the City could realize a savings of \$400,000 on the first bond issue and \$30,000 on the second but with advance refunding (refunding other than at June 1 or Dec. 1) there would be an additional cost of 4%.

He pointed out that there are a number of City projects coming up and this would be a good time to refinance the bonds with a lower interest rate--somewhere between 5.25% and 7.1%, he said. He noted that the City needs just over \$15 million to fund construction costs for the water pipeline and system, as well as the sewer treatment plant, insurance, financing costs and refinancing of the bonds and he showed more graphs and overheads depicting amortization over the next 20 years. One chart depicted financing prior to June 1 and the other showed Delayed Financing (see attached).

Mr. Gaidos admitted there is the risk that interest rates could go up however, he said his company feels the market/interest rates are at a low point at this time. He said if interest rates go up by December to say, 6.9%, this could result in a \$100,000 cost factor. Utilizing the low interest rates by June 1 could easily save the City \$450,000, he said, and stressed that timing is critical. He outlined other advantages to this refunding of the 1979 bond issue and a portion of the 1985 issue: lower customer rates, providing \$450,000 reduction in debt service, consolidating debt issuance costs by avoiding multiple issues, providing investment advantage to keep overall cost lower (approx. \$400,000 to \$500,000), maximizing the effectiveness of current funds on hand for investment, emergencies or future call of higher interest rate bonds, and avoiding multiple rate increases resulting from multiple issues for the same total project costs.

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Mr. Gaidos names only two risks: Interest rates could decline and total project costs could rise. He talked about "Projected Flow of Funds" and maintaining a coverage of 1.35%. He said a customer rate increase is recommended in the near future and said Security Pacific is recommending proceeding with the refunding of the bonds as outlined to take advantage of the historically low interest rates at this time.

Councilor Lashua asked about calling the old bonds and Mr. Gaidos explained that they would be replaced at a lower rate--somewhere between 5.25% and 6.45%, he said, on the refund. He added that refinancing of the 1979 bond issue and a portion of the 1985 would have a triple A rating, with the ordinance in place and everything ready to go by June 1.

Larry Wade then made a short presentation regarding the number of present water and sewer customers, noting that an additional \$1.9 million is needed over and above current revenue/rate structure. His recommendation would be to increase water rates by \$4.75 per month and sewer rates by \$9.95 per month (\$14.70 total per month per household), however, he noted he had not converted out commercial customers. Compared with surrounding purveyors, the recommended rates for Marysville would be higher than the lowest rates (Everett) and lower than the highest rates (Anacortes).

Councilor Weiser asked if the figures presented by Mr. Wade took into consideration the \$22,000 per month payment from the City to PUD and Mr. Wade said no, they did not figure that in, nor was the total supply cost calculated in although they did include the current \$2.00 surcharge. He noted that the "surcharge" would be dropped with the increase in rates and also, that the new rates would have to be passed for the bond issuance/refunding.

Mr. Gaidos suggested a deadline of May 6 or May 21 for the ordinance to be in place, so that the bonds can be refinanced June 1. He also noted that bonds are more attractive when a rate increase has been finalized and he assured Council there would be no problem as far as marketing this bond issue.

As far as a rate proposal, Mr. Wade indicated that there would be basically no further adjustment in the proposed increases until a more specific amount is determined for the cost of transmission of water from Everett. He said the rates proposed this evening were fairly firm.

Councilor Pedersen asked about the possibility of increasing hookup charges to help defray costs and Mr. Wade said the intent is that hookup charges will also be increased for new customers but they were not discussed when these would be increased; this may pay for any future service rate increases because that money could be used to fund future capital projects, he said.

Councilor Weiser noted increasing hookup fees would not pay for the cost of the water from Everett and Mr. Wade agreed. Mr. Wade added that it was his understanding the rates have not been established as yet.

Councilor Weiser said Marysville has a contract with Everett and if PUD does not participate, Marysville still has a contract with Everett and we do know approximately what the rates will be.

Mr. Wade agreed, but stated he understood those rates have just come out and have not been plugged into the system yet.

There was a brief discussion and comments regarding rates in the JOA, whether or not Marysville rates should be increased once or twice.

Mr. Wade explained this rate increase being proposed can be used for capital facilities and covering everything except commodity use.

City Administrator Sanden explained there will be an ordinance at a later date to set rates and it can be more specific at that time.

Councilor Cundiff asked about the construction time lines and City Administrator Sanden stated the sewer wastewater treatment facility construction is scheduled for 1992-93, the water pipeline for the Fall of 1991 and the internal distribution system in the southern part of the City is scheduled for later in 1991 also.

Mr. Wade said that as far as another bond issue coming up, the City's coverage accumulates at \$900,000 per year which is a substantial amount and he said he would guess the City would not need another bond issue for the next 4-5 years at this rate.

Mayor Pro Tem Baxter asked about the costs of revalving, controls and telemetry of the Everett transmission and Mr. Wade said he believed it was about \$100,000 or so. He noted that the sewer wastewater treatment facility is the main project to be funded but \$3 million for a new water reservoir can be also funded out of this bond issue without any problem, he said.

Mr. Gaidos pointed out that there are a couple ULIDs that the City may be issuing bonds for but they are backed by assessments and so would not affect this bond issue.

Mayor Pro Tem Baxter mentioned again how critical it is that Marysville have good telemetry and control valves so that we only pay for the water that is used from Everett.

It was determined that no one in the audience (Bernie Sigler) wished to speak.

Mr. Gaidos reiterated that timing is very critical for the financing and recommended the low interest rates be taken advantage of at this point.

Councilor Lashua asked about the status of the pipeline project and there was discussion about the pipe now being sandblasted and lined, the delays having cost the City a considerable amount, bond anticipatory notes.

Councilor Lashua moved to proceed with the issuance of bonds for construction of the water pipeline, water distribution system and sewer treatment improvements and for reissuance of the 1979 bonds and a portion of the 1985 bonds, effective June 1, as proposed.

Councilor McGee seconded the motion and it passed unanimously.

ADJOURNMENT: 8:25 p.m.

Accepted this 22 day of April, 1991.

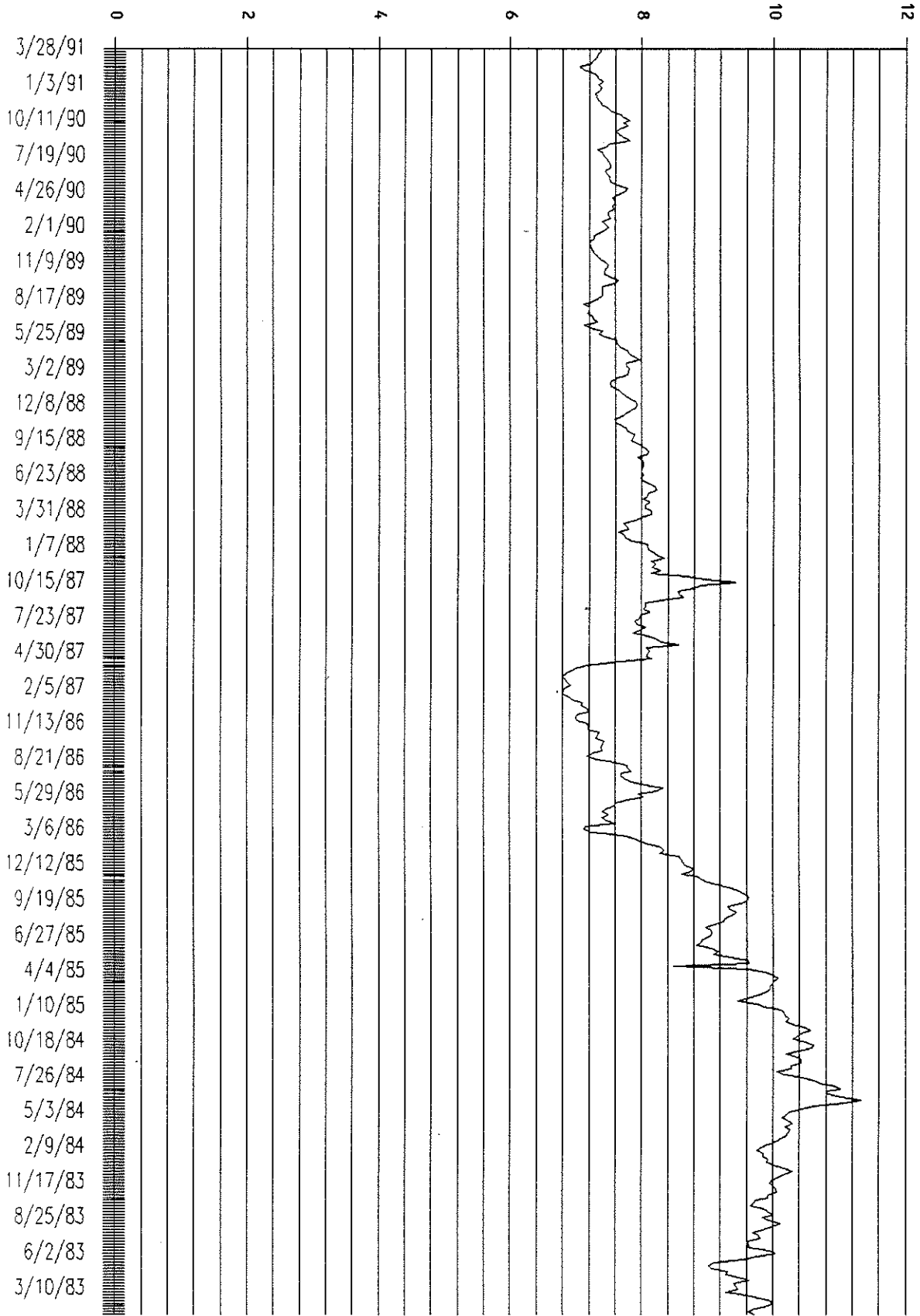
Kenneth D. Baxter
MAYOR PRO TEM

Phillip E. Dexter
CITY CLERK

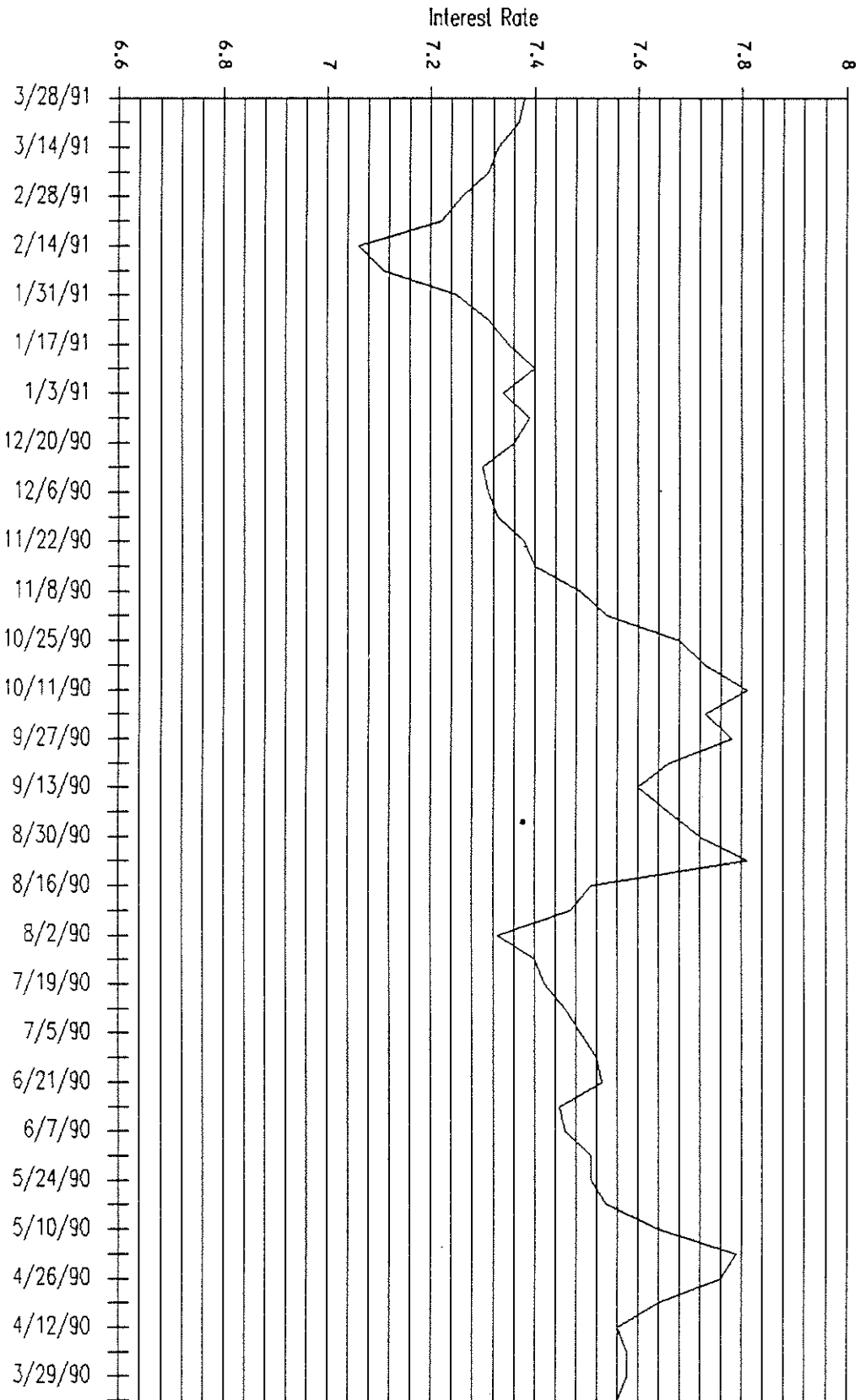
Wanda A. Iverson
RECORDING SECRETARY

Interest Rates

REVENUE BOND INDEX



REVENUE BOND INDEX - LAST 12 MOS.



REVENUE BOND INDEX

HISTORY OF RATES

1983 - 1991

YEAR	HIGH	LOW
1983	10.29	9.03
1984	11.09	9.76
1985	10.12	8.61
1986	8.55	6.99
1987	9.42	6.79
1988	8.22	7.58
1989	7.97	7.11
1990	7.86	7.28
1991	7.40	7.06
AVERAGE	8.99	7.88

CURRENT INDEX (3-28-91) = 7.38

			1979			1985 Refunding			
			ULID				ULID		
	Total	Principal	Rate	Interest	Total	Principal	Rate	Interest	Total
Year		(12-1)		(6-1,12-1)		(12-1)		(6-1,12-1)	
6/1/91				\$48,000.00				\$69,307.50	
12/1/91	\$181,090.00			48,000.00	\$96,000	\$105,000	7.35%	69,307.50	\$243,615.00
6/1/92				48,000.00				65,448.75	
12/1/92	174,190.00			48,000.00	96,000	120,000	7.60%	65,448.75	250,897.50
6/1/93				48,000.00				60,888.75	
12/1/93	172,140.00			48,000.00	96,000	120,000	7.85%	60,888.75	241,777.50
6/1/94				48,000.00				56,178.75	
12/1/94	174,640.00			48,000.00	96,000	120,000	8.10%	56,178.75	232,357.50
6/1/95				48,000.00				51,318.75	
12/1/95	166,840.00			48,000.00	96,000	115,000	8.25%	51,318.75	217,637.50
6/1/96				48,000.00				46,575.00	
12/1/96	357,722.50			48,000.00	96,000	30,000	8.40%	46,575.00	123,150.00
6/1/97				48,000.00				45,315.00	
12/1/97	94,912.50			48,000.00	96,000	160,000	8.50%	45,315.00	250,630.00
6/1/98				48,000.00				38,515.00	
12/1/98	123,660.00			48,000.00	96,000	165,000	8.60%	38,515.00	242,030.00
6/1/99				48,000.00				31,420.00	
12/1/99		1,200,000	8.00%	48,000.00	1,296,000	340,000	8.70%	31,420.00	402,840.00
6/1/00								16,630.00	
12/1/00						360,000	8.75%	16,630.00	393,260.00
6/1/01								880.00	
12/1/01						20,000	8.80%	880.00	21,760.00
6/1/02									
12/1/02									
6/1/03									
12/1/03									
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12/1/09									
6/1/10									
12/1/10									
Total	\$1,445,195	\$1,200,000		\$864,000	\$2,064,000	\$1,655,000		\$964,955	\$2,619,955

		1979	1985 Refunding					
		ULID	ULID					
Year	Principal (12-1)	Rate	Interest (6-1,12-1)	Total	Principal (12-1)	Rate	Interest (6-1,12-1)	Total
6/1/91			\$36,107.50				\$63,948.75	
12/1/91			36,107.50	\$72,215.00	\$105,000.00	5.20%	63,948.75	\$232,897.50
6/1/92			36,107.50				61,218.75	
12/1/92	\$120,000.00	5.25%	36,107.50	192,215.00	120,000.00	5.25%	61,218.75	242,437.50
6/1/93			32,957.50				58,068.75	
12/1/93	125,000.00	5.50%	32,957.50	190,915.00	120,000.00	5.50%	58,068.75	236,137.50
6/1/94			29,520.00				54,768.75	
12/1/94	135,000.00	5.75%	29,520.00	194,040.00	120,000.00	5.75%	54,768.75	229,537.50
6/1/95			25,638.75				51,318.75	
12/1/95	145,000.00	6.00%	25,638.75	196,277.50	115,000.00	8.25%	51,318.75	217,637.50
6/1/96			21,288.75				46,575.00	
12/1/96	155,000.00	6.15%	21,288.75	197,577.50	30,000.00	8.40%	46,575.00	123,150.00
6/1/97			16,522.50				45,315.00	
12/1/97	160,000.00	6.25%	16,522.50	193,045.00	160,000.00	8.50%	45,315.00	250,630.00
6/1/98			11,522.50				38,515.00	
12/1/98	175,000.00	6.35%	11,522.50	198,045.00	165,000.00	8.60%	38,515.00	242,030.00
6/1/99			5,966.25				31,420.00	
12/1/99	185,000.00	6.45%	5,966.25	196,932.50	340,000.00	8.70%	31,420.00	402,840.00
6/1/00							16,630.00	
12/1/00					360,000.00	8.75%	16,630.00	393,260.00
6/1/01							880.00	
12/1/01					20,000.00	8.80%	880.00	21,760.00
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12/1/11								
Total	\$1,200,000		\$431,263	\$1,631,263	\$1,655,000		\$937,318	\$2,592,318

City of Marysville								
				Add'l Rev Required		\$1,800,000		
	1991 Issue							
	Principal	Rate	Interest	Total	Total	Coverage		
Year	(12-1)		(6-1,12-1)		Debt			
6/1/91								
12/1/91			\$481,417.50	\$481,418	\$1,336,698	2.21		
6/1/92			481,417.50		0			
12/1/92	\$80,000	5.25%	481,417.50	1,042,835	2,025,413	1.45		
6/1/93			479,317.50		0			
12/1/93	100,000	5.50%	479,317.50	1,058,635	2,020,555	1.45		
6/1/94			476,567.50		0			
12/1/94	105,000	5.75%	476,567.50	1,058,135	2,023,140	1.44		
6/1/95			473,548.75		0			
12/1/95	165,000	6.00%	473,548.75	1,112,098	2,048,025	1.41		
6/1/96			468,598.75		0			
12/1/96	130,000	6.15%	468,598.75	1,067,198	2,011,308	1.42		
6/1/97			464,601.25		0			
12/1/97	220,000	6.25%	464,601.25	1,149,203	2,051,230	1.39		
6/1/98			457,726.25		0			
12/1/98	210,000	6.35%	457,726.25	1,125,453	2,049,770	1.40		
6/1/99			451,058.75		0			
12/1/99	220,000	6.45%	451,058.75	1,122,118	2,069,325	1.41		
6/1/00			443,963.75		0			
12/1/00	405,000	6.60%	443,963.75	1,292,928	2,074,048	1.39		
6/1/01			430,598.75		0			
12/1/01	535,000	6.75%	430,598.75	1,396,198	2,043,638	1.39		
6/1/02			412,542.50		0	Financing prior to June 1, 1991		
12/1/02	605,000	6.85%	412,542.50	1,430,085	2,037,958	1.39		
6/1/03			391,821.25		0			
12/1/03	660,000	6.95%	391,821.25	1,443,643	2,036,708	1.39	1. Provide funds for all construction costs	
6/1/04			368,886.25		0			
12/1/04	730,000	7.05%	368,886.25	1,467,773	2,058,418	1.38	2. Refund 1979 and portion of 1985 issues	
6/1/05			343,153.75		0			
12/1/05	775,000	7.15%	343,153.75	1,461,308	2,046,173	1.38		
6/1/06			315,447.50		0			
12/1/06	840,000	7.20%	315,447.50	1,470,895	2,042,110	1.38	CONSTRUCTION COSTS	
6/1/07			285,207.50		0		PIPELINE	\$4,500,000
12/1/07	1,450,000	7.25%	285,207.50	2,020,415	2,052,965	1.37	WATER SYSTEM	650,000
6/1/08			232,645.00		0		TREATMENT PLANT	7,800,000
12/1/08	1,580,000	7.30%	232,645.00	2,045,290	2,045,290	1.36	SUB TOTAL	\$12,950,000
6/1/09			174,975.00		0			
12/1/09	1,700,000	7.35%	174,975.00	2,049,950	2,049,950	1.35	INSURANCE	218,639
6/1/10			112,500.00		0		FINANCING COSTS	343,173
12/1/10	1,500,000	7.50%	112,500.00	1,725,000	1,725,000	1.61	REFINANCING BONDS	1,665,000
6/1/11			56,250.00		0			
12/1/11	1,500,000	7.50%	56,250.00	1,612,500	1,612,500	1.72	TOTAL(rounded)	\$15,175,000
Total	\$13,510,000			\$27,020,573	\$39,847,718			

CITY OF MARYSVILLE						
					Add'l Rev Required	\$1,900,000
	1991 Issue					
Year	Principal (12-1)	Rate	Interest (6-1,12-1)	Total	Total Debt	Coverage
6/1/91					\$877,435	3.48
6/1/92	\$80,000	6.90%	\$550,711.25	1,181,423	2,184,580	1.39
6/1/93			547,951.25		0	
12/1/93	100,000	7.00%	547,951.25	1,195,903	2,174,443	1.39
6/1/94			544,451.25		0	
12/1/94	110,000	7.10%	544,451.25	1,198,903	2,176,853	1.38
6/1/95			540,546.25		0	
12/1/95	160,000	7.20%	540,546.25	1,241,093	2,186,523	1.37
6/1/96			534,786.25		0	
12/1/96	130,000	7.30%	534,786.25	1,199,573	2,151,445	1.38
6/1/97			530,041.25		0	
12/1/97	220,000	7.40%	530,041.25	1,280,083	2,188,090	1.35
6/1/98			521,901.25		0	
12/1/98	215,000	7.50%	521,901.25	1,258,803	2,187,260	1.36
6/1/99			513,838.75		0	
12/1/99	220,000	7.60%	513,838.75	1,247,678	2,197,013	1.38
6/1/00			505,478.75		0	
12/1/00	405,000	7.70%	505,478.75	1,415,958	2,197,078	1.36
6/1/01			489,886.25		0	
12/1/01	530,000	7.80%	489,886.25	1,509,773	2,157,213	1.37
6/1/02			469,216.25		0	
12/1/02	610,000	7.90%	469,216.25	1,548,433	2,156,305	1.36
6/1/03			445,121.25		0	
12/1/03	670,000	8.00%	445,121.25	1,560,243	2,153,308	1.36 Dealyed Financing
6/1/04			418,321.25		0	
12/1/04	730,000	8.10%	418,321.25	1,566,643	2,157,288	1.36 1. Provide funding for all construction costs at year end or later
6/1/05			388,756.25		0	
12/1/05	775,000	8.15%	388,756.25	1,552,513	2,137,378	1.36 2. Refund 1979 and portion of 1985 issue
6/1/06			357,175.00		0	
12/1/06	840,000	8.20%	357,175.00	1,554,350	2,125,565	1.37 CONSTRUCTION COSTS
6/1/07			322,735.00		0	PIPELINE \$4,500,000
12/1/07	1,440,000	8.25%	322,735.00	2,085,470	2,118,020	1.37 WATER SYSTEM 650,000
6/1/08			263,335.00		0	TREATMENT PLANT 7,800,000
12/1/08	1,590,000	8.30%	263,335.00	2,116,670	2,116,670	1.36 SUB TOTAL \$12,950,000
6/1/09			197,350.00		0	
12/1/09	1,700,000	8.35%	197,350.00	2,094,700	2,094,700	1.37 INSURANCE 230,825
6/1/10			126,375.00		0	FINANCING COSTS 343,416
12/1/10	1,500,000	8.40%	126,375.00	1,752,750	1,752,750	1.64 REFINANCING BONDS 1,665,000
6/1/11			63,375.00		0	
12/1/11	1,500,000	8.45%	63,375.00	1,626,750	1,626,750	1.77 TOTAL(rounded) \$15,185,000
Total	\$13,525,000			\$28,560,955	\$41,489,913	

CITY OF MARYSVILLE

**Financing Considerations
for
Water Sewer Revenue Bonds**

Timing:

1. Interest rates are at historically low levels.
2. Needs for project funding are increasing.
3. " Current " refunding of high interest rate bonds is possible only on June & December 1.
4. Interest rates have begun to rise again.

Reasons for Proceeding:

1. Capture low known interest rates allowing lower customer rates.
2. Provide \$450,000 reduction in debt through refunding 1979 & 1985 issues.
3. Consolidate debt issuance costs by avoiding multiple issues.
4. Provide investment advantage to keep overall cost lower. (approximately \$400,000 to \$500,000)
5. Maximize the effectiveness of current funds on hand for investment, emergencies or future call of higher interest rate bonds.
6. Avoid multiple rate increases resulting from multiple issues for the same total project costs.

The risks:

1. Interest rates could decline.
2. Total project costs could rise.

CITY OF MARYSVILLE						
Projected Flow of Funds						
Calendar	Net Revenue(1)	ULID		Total		
Year	Available	First Lien Bond	Assessments	Available For	2nd Lien Bond	Projected
Ending	For Debt Servic	Debt Service	Receivable	Debt Service	Debt Service	Coverage
1991	\$977,668	\$124,956	\$297,316	\$1,150,028	\$889,783	1.29
1992	977,668	121,263	283,592	1,139,997	894,823	1.27
1993	977,668	127,422	269,868	1,120,114	872,645	1.28
1994	977,668	122,578	256,144	1,111,234	869,785	1.28
1995	977,668	122,469	242,421	1,097,620	835,650	1.31
1996	977,668	122,701	207,277	1,062,244	842,533	1.26
1997	977,668	121,472	195,374	1,051,570	804,983	1.31
1998	977,668	95,583	183,471	1,065,556	822,273	1.30
1999	977,668	25,734	171,567	1,123,501	2,046,275	0.55
2000	977,668		111,645	1,089,313	781,120	1.39
2001	977,668		69,082	1,046,750	647,440	1.62
2002	977,668		64,998	1,042,666	607,873	1.72
2003	977,668		60,915	1,038,583	593,065	1.75
2004	977,668		56,832	1,034,500	590,645	1.75
2005	977,668		39,659	1,017,327	584,865	1.74
2006	977,668		36,923	1,014,591	571,215	1.78
2007	977,668		34,186	1,011,854	32,550	31.09
2008	977,668		0	977,668	0	
2009	977,668		0	977,668	0	
2010	977,668		0	977,668	0	
2011	977,668		0	977,668	0	
Total		\$984,178	\$2,581,270	\$22,128,120	\$13,287,520	