

- SPECIAL MEETING -  
MARYSVILLE CITY COUNCIL MINUTES

OCTOBER 19, 1992

4:00 p.m.

City Hall

Present: Dave Weiser, Mayor  
Councilmembers:  
 Dave McGee  
 John Myers  
 Ken Baxter  
 Donna Wright  
 Mike Leighan  
Administrative Staff:  
 John Garner, City Administrator  
 Grant Weed, City Attorney  
 Steve Wilson, Finance Director  
 Dave Zabell, Public Works Director  
 Wanda Iverson, Recording Secretary  
 Steve Gaidos, Bond Counsel  
 Lee Voorhees, Broker

CALL TO ORDER:

Mayor Weiser called the meeting to order at 4:00 p.m., noting this meeting had been duly advertised for purposes of notifying everyone relating to execution of an ordinance relating to issuance of approximately \$1,000,000 in water and sewer bonds.

Finance Director Wilson called the roll with all members present as indicated above.

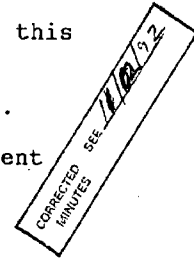
WATER AND SEWER REVENUE BONDS, 1992:

Steve Gaidos, <sup>BROKER</sup> ~~Bond Counsel~~, explained that the reason for having to have a special meeting is that the deadline for issuance of the bonds is October 28th. This would include ULID 12, 13, 14, 17 & 18 and he noted that at least one of the facilities will have been operating for one year after October 28th--that's why the deadline. He explained about getting a lower rate, conditions of purchase and development of a financial statement. He stated the request is to get the City's authority to proceed with the offer to purchase.

All underwriters' expenses would be paid by underwriters, the City would pay for printing of the bonds, he said. He stated the purchase price would be 98.05% of par with a 20 year maturity, discounted at 1.95% and the broker's fee would be .45% or \$3800. Interest rate would be 7%. He reviewed the handouts, noting other comparable bond issues such as the City of Redmond (6.25% to 6.90% projected interest rates). The City of Marysville issue would be \$775,000 compared to Redmond's issue valued at \$2,713,000, he pointed out, however.

Mr. Gaidos explained the rating system and noted that Marysville bonds are non-rated at this time. He showed last Friday's (10/16) Delphis Hanover range of yield curve scales. He explained and there were general comments regarding cash flow of utility with net revenue available, ULID assessments, first and second lien bonds, debt service, projected coverage of annual debt. He explained the advantages of lowering debt service with paying bonds off earlier. He said the ratio of 2:1 is good, which is what Marysville's would be at; the requirement is 1.35:1. He asked the City to consider the offer of 7%, with 1.95% total compensation for underwriters.

Councilor McGee asked if the 7% is fixed and Mr. Gaidos said it is until the year 2013 but the City does have the ability to call the bonds in advance, starting in 2002.



Mr. Lee Voorhees of Foster, Pepper, Shefelman stated he was involved in the City's bond issue in 1991, he has reviewed this offer and believes it to be very favorable. He passed out copies of the appropriate ordinance and explained earlier bonds which are still in the first lien position; this is an assessment based financing, he explained, adding they are in parity with the prior bonds in conditions but are in second lien. He noted the ordinance document is 15 years old and really should be revised but it was decided (by the City) not to do that at this time.

He referred to Section 17 - Execution and recommended that this document be executed by 10/28/92. He stated it appears to be in order and recommended the Mayor be authorized to sign it.

Councilor Baxter asked about discounts on older issues and Mr. Gaidos explained they hit a high of 3% in 1978, a low in 1991 of 1.57%.

Councilor Baxter asked about the City's rating and Mr. Gaidos explained there is no rating on sewer and water bonds.

Councilor McGee asked about the closing interest rate and Mr. Gaidos stated there may be a revision on that to the ordinance.

Public Works Director Zabell asked what the interest rate was on the last bond issue and Mr. Gaidos said it was 6.75%, he believed.

Councilor Baxter moved and Councilor McGee seconded to approve Ordinance 1911 authorizing the City to sell revenue bonds in the amount of \$775,000 for water and sewer ULIDs 12, 13, 14, 17 and 18. Passed unanimously.

REFINANCING OF PREVIOUS BONDS:

Mr. Gaidos then talked about refinancing of previous bonds and revision of the ordinance, especially with regard to the annual debt service, tax law changes, etc. He said the ordinances going into effect now are in compliance with the current law, there are some discrepancies, though and the City needs to have 95% backing by assessments in order to have a bond issue. He said they would like to see the ordinance/covenants rewritten. He added they were hoping that the cost of this would not be too high and that there would be equal debt service from year to year.

He put a graph on the board and explained that it would cost \$197,000 in the last 2 years of the bond issues and given the time frame, it would not be worth restructuring the bond issue, although he said with a rating program, it might give us a better rate. He said he would like to see the City break even or possibly make money before restructuring.

City Attorney Weed pointed out it's an "all or nothing" proposition.

Mr. Gaidos agreed, unless the City goes to a third lien issue which is not recommended from a buyer's standpoint, he stated.

There were brief comments about refunding, restructuring and the rating process.

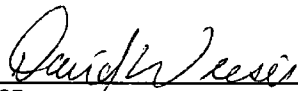
City Administrator Garner pointed out that pending litigation could adversely affect bond issues.


Mr. Gaidos agreed, but said it depends on where the revenue would come from.

ADJOURNMENT:

The meeting adjourned at 4:40 p.m.

Accepted this 2nd day of November, 1992.

  
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MAYOR

  
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CITY CLERK

  
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RECORDING SECRETARY