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MARYSVILLE CITY COUNCIL SPECIAL MEETING

April 7, 1993

8:00 P.M.

City Hall

Present: Mayor Dave Weiser
Councilmembers:
Dave McGee
Donna Wright
Otto Herman
Mike Leighan
Administrative Staff & Others:
Dave Zabell, City Administrator
Steve Wilson, Finance Director
Wanda Iverson, Recording Secretary
Steve Gaidos, BA Securities, Inc.
George Mack, Foster Pepper & Shefelman

CALL TO ORDER:

Mayor Weiser called the meeting to order at 8:20 p.m. with a quorum present and noted this special meeting was advertised in accordance with Washington State law to consider refunding of Water & Sewer Bonds.

CURRENT BUSINESS:

Copies of the draft ordinance were passed out, along with a letter to City Council from BA Securities, Inc. Steve Gaidos, representing BA Securities, gave a brief history of factors leading up to the refunding of the revenue bonds; he passed out Merrill Lynch Global Indices and explained the bond market fluctuations. He stated the Marysville Municipal bonds were placed on the market again 4/6/93 and he said he feels confident that the interest rates are at a good point for selling the bond issue: approx. 5.91%. He noted that one of the objectives is to smooth out the debt service and he referred to page 4 of the handout, showing savings to the City over the next 20 years of \$2,338,249.89 if the bonds are refunded at this time.

Mayor Weiser pointed out that our original object was to break even or gain a savings and this is what has been achieved.

Mr. Gaidos agreed. He referred to page 5 of the handout--sources and uses of funds. He noted that if Boeing turns around the City will be home free as far as a higher rating because the City does a very good job as far as administrating the water and sewer utility in a fiscally prudent way; these were community factors that affected the bond rating but were beyond the City's control during the rating process in San Francisco. He said that with an A rating the City may have gotten only half a percent lower on the interest rate but the City's current rating is better than no rating. He recommended acceptance of the BA Securities offer.

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There was a question regarding requiring the City Attorney to review the ordinance, however it was noted as long as Bond Counsel is present, that would suffice.

Mr. Gaidos commented that the county bond issue which he mentioned at a previous Council meeting, did not go to market and so actually cleared the tables for the City bonds.

George Mack of Foster Pepper & Shefelman, acting as Bond Counsel in place of Lee Voorhees, addressed those present. He explained the refunding will give the City more flexibility in operating the utility. Refunding past bonds and redeeming them on their call dates has been covered in the ordinance, he said and he proceeded to review the ordinance in its entirety. He specifically pointed out the maturity schedule on page 17, mandatory redemption schedule on page 19; he noted there will be a debt service payment each year and redeeming the bonds as per the redemption schedule gives the City a more attractive interest rate also. He said if the City wishes to call the new bonds, they have to wait until 2003, it's a 10 year call, similar to the GO bonds.

The balance of the ordinance provides for the administration of the refunding, he explained, where the City appoints a trustee who holds the funds to pay for future expenses and refunded bonds. He stated his office has reviewed Steve Gaidos' figures and feel confident the City will have the funds to pay for the bonds when they are due and a statement to that effect will be furnished, he said. He noted currently the City can only receive an interest/yield at a rate if it's greater than that of the bonds (for current issues only) because of the tax deferred status. He said part of the package is a refunding trust agreement where the trustee will sign an agreement with the City to carry out the transactions.

City Administrator Zabell asked about the 7/1/93 call dates and Mr. Gaidos said it's usually 10 years but sometimes they are 11 or 12 year calls; the longer the call period the lower the interest rate was in the past, he explained.

Mr. Mack referred to page 28 of the draft ordinance, noting it is similar to revenue bond issues in the past; he reviewed wording regarding the reserve account and findings, noting this refunding actually wipes out all the obligations/covenants with respect to all the old bonds and gives the City new parity requirements.

Mr. Gaidos noted the covenants, etc. were all brought up to date with the current laws and Treasury regulations.

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Mr. Mack referred to page 29, paragraph (c) of the draft ordinance which provides for a decrease in the reserve account with reserve insurance or alternate security. He said this takes the place of a reserve fund if the City needs that option and gives the City some flexibility. There would be a cost, he warned. Other provisions, he said, are very similar with respect to how the bond fund and reserve is used.

He referred to page 32 of the draft ordinance regarding covenants and City Administrator Zabell noted that the City has considered in the past selling off a small portion of the water system. He noted that in this event, the City would have to find that it's no longer useful to Marysville's water system, for example a small distribution system. Mr. Mack agreed that the City would want to get a minimum amount of reimbursement for it.

Councilor Herman clarified that this section would regulate how the City would sell the system if they wished to do that and Mr. Mack confirmed this.

Mr. Mack said they have tried to make this ordinance more flexible for the bond owner and he reviewed the "no free service" clause, where again, he explained, more flexibility is provided. He also reviewed clauses regarding insurance, flow of funds, debt service, reserve funds and Section 18 - parity requirements.

Mr. Gaidos noted there has been a dual lien position in the past but a flow of funds provision has been made so that these are all first lien bonds, which improves the City's "credit".

City Administrator Zabell asked about the certificate for Larry Wade and Mr. Mack said that would be for the new bond issue. Mr. Mack pointed out that another thing that's been added is an allowance for variable rate bonds which also gives more flexibility for future opportunities, depending on what types of products are available.

He referred to Section 22 on page 42 which authorizes the sale of the bonds as offered and converts the ordinance into a contract. He noted there is a provision to amend with and without the bond owners. The draft ordinance also provides for insurance through MBIA which saves the City money and upgrades the bond issue, he said. He reviewed Section 25 and noted that have put into direct quotes the bond insurer's requirements right in the ordinance for ease of interpretation.


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Mr. Gaidos commented on this and noted this ordinance was very well received by the bond insurers, with no changes recommended whatsoever.

Councilor McGee then moved for the adoption of Ordinance No. 1945 and to approve the bond purchase agreement, as recommended. Councilor Wright seconded and the motion passed unanimously.

ADJOURNMENT: 9:03 p.m.

Accepted this 26th day of April, 1993.



MAYOR



CITY CLERK



RECORDING SECRETARY