

DRAFT

CITY OF SHORELINE

SHORELINE CITY COUNCIL SUMMARY MINUTES OF SPECIAL MEETING

Wednesday, November 29, 2006
1:00 p.m.

Shoreline City Hall
Conference Room 305

PRESENT: Deputy Mayor Fimia and Councilmembers Hansen, McGlashan, Ryu, and Way

ABSENT: Mayor Ransom and Councilmember Gustafson

1. CALL TO ORDER

The meeting was called to order at 1:05 p.m. by Deputy Mayor Fimia, who presided.

2. ROLL CALL

Upon roll call by the City Clerk, all Councilmembers were present with the exceptions of Mayor Ransom, Councilmember Gustafson, and Councilmember Hansen. Councilmember Hansen arrived shortly thereafter.

Upon motion by Councilmember Way, seconded by Councilmember Ryu and unanimously carried, Mayor Ransom was excused.

3. ACTION ITEM

- (a) Ordinance No. 453 adopting a system of registration of bonds and obligations of the City; and

Ordinance No. 454 relating to contracting indebtedness; providing for the issuance, specifying the maturities, interest rates, terms and covenants of \$18,795,000 par value of Unlimited Tax General Obligation Bonds, 2006, authorized by the qualified voters of the City at a special election held therein pursuant to Ordinance No. 409; establishing a bond redemption fund and [a project] fund; and approving the sale and providing for the delivery of the bonds to UBS Securities LLC of New York, New York.

There were introductions around the table. Staff in attendance included: Hugh Spitzer, Foster Pepper, Bond Counsel to the City; Steve Gaidos, Financial Advisor to the City; Debbie Tarry, Finance Director; Ian Sievers, City Attorney; Bob Olander, City Manager;

Dick Deal, Parks, Recreation and Cultural Services Director; Patti Rader, Finance Manager; Joyce Nichols, Communications and Intergovernmental Relations Director; and Scott Passey, City Clerk.

Councilmember Way moved to adopt Ordinance No. 453 adopting a system of registration of bonds and obligations of the City; and Ordinance No. 454 relating to contracting indebtedness; providing for the issuance, specifying the maturities, interest rates, terms and covenants of \$18,795,000 par value of Unlimited Tax General Obligation Bonds, 2006, authorized by the qualified voters of the City at a special election held therein pursuant to Ordinance No. 409; establishing a bond redemption fund and [a project] fund; and approving the sale and providing for the delivery of the bonds to UBS Securities LLC of New York, New York. Councilmember Hansen seconded the motion.

Bob Olander, City Manager, said he is very pleased that the City has received what appears to be some very good bids on our bonds. He introduced Steve Gaidos and Debbie Tarry to provide additional information.

Mr. Gaidos outlined the events which have led to the proposed actions today. He reported on the successful presentation of the City's financial condition to the bond rating agencies in San Francisco last month. He said the rating agency was very pleased with the City's financial management with regard to its fund balances and its forward planning, and as a result the City received a very high bond rating of AA-. He then reported on the success of the electronic bidding process that occurred this morning when the bonds were offered on the market. He noted that the City received 10 competitive bids with interest rates ranging from 3.91% to 4.03%. He said the very close margin between the interest rates and the speed in which the bids were received demonstrates that these were very competitive bids. He illustrated the success of the City's first bond sale by pointing out that the State of Washington was very pleased when they received 11 bids on a bond issue last month.

Ms. Tarry called attention to Exhibit A to Ordinance No. 454, which summarized the bids that were received.

Continuing, Mr. Gaidos described it as a very successful sale, adding that the market received the City of Shoreline extremely well.

Hugh Spitzer, bond counsel to the City, explained that Ordinance No. 453 sets up the system of registration of the City's bonds. Under federal tax law, all tax-exempt municipal bonds need to be registered, and this action establishes the City as its own registrar for short-term obligations. However, for long-term obligations, the City uses the State's fiscal agency, which is currently the Bank of New York. Virtually all local governments do this because the state treasurer goes through a competitive process to manage the ownership and payment of bonds. For example, when the City makes payments on the bonds, the City's finance staff will wire the money to the Bank of New York, which in turn sends it to the bond owners through another entity called the

Depository Trust Company. Ordinance No. 454 contains all the details of the bond itself, including the low bidder, interest rates, and maturity, and it pledges the City's full faith and credit and the revenues collected from special excise tax levies for the bonds.

Responding to Deputy Mayor Fimia, Mr. Spitzer affirmed that there is no problem in passing both ordinances in the same motion.

Ms. Tarry pointed out that the actual interest rate will be slightly lower than what the City had used in its estimates based on the bids received. This will be good for the taxpayers because the City will be able to charge a slightly lower rate in the future.

Mr. Gaidos said it might be due to a slightly stronger market and because of the wonderful bids that were received.

Councilmember Ryu asked if the lower tax rate translates into paying back the loan earlier or collecting fewer taxes. Ms. Tarry confirmed that slightly fewer tax dollars would be collected than what was previously estimated.

Councilmember Hansen pointed out that the bonds have varying maturities, so the rate will be amortized each year. He asked if the bonds are being bought for resale to the general public or if an institution is planning on holding them.

Mr. Gaidos explained that nowadays most sales are made to institutions, which then make them part of the funds they sell to individuals.

Mr. Spitzer said he was pleasantly surprised when talking with the UBS underwriter this morning when he discovered how fast the maturities were sold. He said even though they were sold quickly, the City got the lowest rate because of the competitive nature of the bonds. He speculated that the market is very "hungry" for good securities.

Councilmember Hansen imagined that several people in Shoreline would have liked to hold the bonds. He said perhaps they can acquire them on the secondary market. He expressed support for the bond ordinances.

Councilmember Way inquired if there was any public comment on this item. There was no one wishing to provide public comment.

Deputy Mayor Fimia stated that it is a rare occurrence to be able to pass motions that in 100 years will matter a lot to our citizens. She characterized the passage of the bond ordinances as a very exciting and positive action. She said she looks forward to being able to sell those bonds, purchase properties, and improve the parks.

A vote was taken on the motion to adopt Ordinance No. 453 and Ordinance No. 454, which carried 6-0.

4. ADJOURNMENT

At 1:19 p.m., Deputy Mayor Fimia declared the meeting adjourned.

Scott Passey, City Clerk