CITY OF BURTON
SPECIAL COUNCIL MEETING MINUTES
JANUARY 19, 1998, 7:15 P.M., COUNCIL CHAMBERS

The Special Meeting was called to order by Ted Hammon, President, at 7:35 P.M.

MEMBERS PRESENT: Centilli, Cox, Cross, Hammon, Martinbianco, Walls and Zelenko.

MEMBERS ABSENT: None.

OTHERS PRESENT: Mayor Charles Smiley; C. Abbey, Personnel Director; J. Major, DPW Director; Hamilton, City Attorney; B. Becker, Treasurer/Controller; D. Neiman, Bond Counsel; R. Bendzinski, Financial Consultant and G. Webster, City Clerk.

PURPOSE OF THE MEETING: DISCUSSION AND POSSIBLE ACTION REGARDING THE FOLLOWING ITEMS:

1. Notice of Intent to issue Revenue Bonds for City Water System.
2. Notice of Intent to issue for Transportation Fund Bond Issue for Street Improvements.
3. Notice of Intent to issue Bonds for Special Assessment Districts/ Street Paving and Watermain Construction.

PRESENTATION:

Mr. Major referred to the minutes of January 7, 1998 when City representatives met with our Bond Counsel and Financial Consultant. He said the notice of intent will cover our special assessment projects for street paving, water improvements, financing the construction of the water tower and water mains. We are not asking to set priorities for these projects tonight. A bond issue for street improvements would be included in this package. We completed some county road improvements last year. A bond issue is expiring with our Major Street fund. We would like to do more street projects, as outlined in the exhibits in the background information. Also, we would like to do some of our Major Streets on our wish list. Our Bond Counsel and Financial Consultant have advised us that this is a good time to bring those bond issues together with our special assessments, to help attain lower interest rates. Mr. Neiman, Mr. Bendzinski and Mr. Becker were available to answer questions on these issues.

AUDIENCE PARTICIPATION:

None.

COUNCIL DISCUSSION:

Mr. Martinbianco said he had no problems with Items #1 and #3, however he didn't feel there was justification to add funding for Items #2 and #4 in this package. He recommended reducing the bond request to $1.5 million and addressing the other issues at a later date.

Mr. Major said we have up to two years to spend the bond dollars. He discussed other possible projects that could be addressed within this time period.

Dennis Neiman, Bond Counsel, of Miller and Canfield, said the City would have 2-3 years to spend the bond proceeds. This would give Burton sufficient time to exhaust funding on these major projects.

Mr. Becker said Council would have time to readjust the bond amount if they so choose. We arrived at $2.5 million after evaluating our existing debt schedule. We were going to wrap around the proposed revenue bond payment schedule to fit into the existing debt, so it would not dramatically impact our retained earnings income lost statement from year to year. Mr. Becker said there would be no increase in user rates due to this funding. If water rates do increase, it will be due to the County rates going up as a whole.

Discussion continued on this issue.

Mr. Becker said the bond interest rates are better than they have been in many years. He pointed out the benefits of going to the market one time for our financial needs. He felt this helped justify going to the rating agencies for this size of bond. This could improve our rating, which potentially reduces our interest cost.

Mr. Martinbianco asked for clarification on the potential of increasing our rating.

Bob Bendzinski, City Financial Advisor, said the interest rates are the lowest they have been in 25 year, some under 5%. It is always best to plan your financing. When you go to the rating agencies with a complete package it reflects that the City is well managed. It shows them that you have your Capital Needs package well in hand. They like the idea of you coming to the market place once. You will be coming to it in the Spring of 1998. There is an understanding that your special assessment projects are on an as needed basis. They like to see a 2-3 year borrowing. They give you some credit for taking advantage of the very low interest rate. Many factors are taken into consideration when comparing municipalities ratings. We believe we can help upgrade your rating. If you upgrade your rating by one grade, we believe you will get a ¼ of 1% savings in interest cost over the twenty years the bonds are sold. He explained that the credit rating may be upgraded again later.

Mr. Martinbianco withdrew his reservations on agenda items #2 and #4.

Discussion continued in regards to increasing the City's rating.

Mr. Cox asked for more information in regards to Capital Improvements.

Mr. Bendzinski said the City should compile a Capital Improvement Plan to be submitted to the rating agency. These projects don't have to be set in stone. He said it is much like having a Master Plan. A City should have some idea of what they want to do in the future.

Mr. Neiman agreed and elaborated on Mr. Becker's and Mr. Bendzinski's previous remarks in regards to ratings.

Mr. Cross asked if this has been reviewed by any committee in the past. He had a concern about the water projects on three or four streets.

Mr. Major said this package hasn't been before a committee, however, much of these things have been discussed throughout the year. We were advised that we should package our capital improvement ideas to benefit our City's ratings. The priority of the water projects will be addressed at a later date with Council input.

Mr. Neiman asked that Items #1-3 be addressed in one distinct resolution.

Mr. Hammon read Items #1-3 as one motion. Item #4 was changed to resolution #2.

COUNCIL ACTION:

Zelenko moved and Centilli seconded the following motion:

1. Approve and authorize adoption of Notice of Intent Treasury Resolution/F-3304 for $2,500,000.00/ 1998 Water System Revenue Bonds and the filing by the City Treasurer with Michigan Department of Treasury.

   Approve and authorize the adoption of Notice of Intent Treasury Resolution/F-3304 for $2,500,000.00/1998 Michigan Transportation Fund Bonds and the filing by the City Treasurer with Michigan Department of Treasury.

   Approve and authorize the adoption of Notice of Intent Treasury Resolution/F-3304 for Bonds for Special Assessment Districts/Street Paving and Watermain Improvements in the amount of $2,610.000.00 and the filing by the City Treasurer with the Michigan Department of Treasury.

Motion carried 7-0.

Martinbianco moved and Zelenko seconded the following motion:

2. Approve and authorize the adoption of the Notice of Intent resolution to issue $2,500,000.00/Water System Revenue Bond Series 1998 and the publishing of the notice thereof.

Motion carried 7-0.

Meeting Adjourned at 8:05 P.M.

Gayle Webster
City Clerk

GW/cml