CITY OF BURTON
SPECIAL COUNCIL MEETING MINUTES
MAY 13, 2003, 5:30 P.M., COUNCIL CHAMBERS

Vice President Danny Wells called the Special Meeting to order at 5:30 P.M.

MEMBERS PRESENT: Bement, Centilli, Cross, Martinbianco, Tinnin and Wells.

MEMBERS ABSENT: Brawner.

OTHERS PRESENT: B. Becker, Controller, C. Abbey, Administrative Assistant and G. Webster, City Clerk.

PURPOSE OF THE MEETING: Acceptance of the Low Bid and Award the Sale for $3,445,000.00 of "Special Assessment Limited Tax Bonds Series A at $480,000.00, Series B at $2,965,000.00, 2003 and the printing thereof of Districts P-00-3 Brabbs; P-99-1 Nelson Ct.; P-02-2 Pratt and Wagner Avenues; P-03-1, SS-03-1 and W-03-1Pebble Creek.

PRESENTATION:

Mr. Becker said Mr. Neiman and Mr. Bendzinski were present to review the results of today's bid.

Bobby Bendzinski, Bendzinski & Co., said the City of Burton accepted bids at 4:00 p.m. There were four bids consisting of fifteen companies that participated in the bond sale. Standard & Poors indicated that the City has maintained an A- rating. The City has been well administered and its financial position remains very strong. He commended the City for these high ratings. The low bid was by Comerica Securities with an interest rate of 3.29221%. He recommended that the City accept this bid. This is approximately 1% below the current market conditions.

Dennis Neiman, Miller Canfield, said the bids were quite extraordinary, resulting in a saving of about $300,000 from the current market cost. The bids were excellent and reflected the sound financial condition of the community. It was his recommendation to award the bonds to the low bidder, Comerica Securities.

AUDIENCE PARTICIPATION:

Pauline Dargel, 6119 Hugh St., asked for clarification on insurance and publication relating to the bond bidding process.

Mr. Bendzinski offered further information on these aspects of the bidding process. With the City's great credit rating, and the insurance company's willingness to insure more bonds, it was cheaper and more economical for the City to offer the bonds and let the winning bidder buy the insurance. There was no direct cost to the City.

Mr. Neiman said because the City's rating had improved and the financial conditions are sound, the underwriters were willing to purchase the insurance. He said the notice of sale for the bonds were published in the Bond Buyer, a trade publication for municipal bonds approved by the State of Michigan. The notice was published approximately two weeks ago. The bids were in response to the efficient notice of sale.

COUNCIL DISCUSSION:

Mrs. Tinnin wanted to know if there was a way to break up the series, so Council could vote on these issues separately. She was not in favor of voting on the Pebble Creek bond issue.

Mr. Neiman said the issues could not be voted on separately because the bonds were sold under one notice of sale.

Mrs. Tinnin wanted to know if the $300,000 savings would be realized through the payment process.

Mr. Neiman said the people in the various districts saved about $300,000 in interest rates because the bonds were sold below market rate. These savings will be spread throughout the districts on a percentage basis. The interest rate will be 3.29 plus 1% required by Sate law.

Mrs. Tinnin wanted to know how much the general fund balance affects the bond rating.

Mr. Neiman said that the General Fund Balance is a significant factor in determining the bond rating. Rating agencies also look at the makeup of taxable value and the millage that is levied. When you have a small millage such as Burton, the General Fund Balance is very important. He said that Mr. Becker and the Council have done a really great job in shepherding the General Fund Balance. That results in great rates and borrowing costs.

Mr. Cross wanted to know if the image of a city would influence the bond rating.

Mr. Neiman said he didn't know if that would influence a bond rating. He knows the Fund Balance does have a direct bearing on the rating.

Mrs. Tinnin wanted to know how the Michigan Municipal Commission would accept this when it's based on a private developer owning all this land. A private developer we haven't met.

Mr. Neiman said the City, under state law, has to be qualified under Act 34 of 2001 in order to issue debt without prior approval from the state, and it is. The city has done all the things necessary to be qualified.

Mrs. Tinnin wanted to know what would happen if the developer failed to make his payments. How would that affect our bond rating for the future?

Mr. Neiman said it might not affect the bond rating at all. The special assessments are pledged as the bond payment. In thirty years, he has never had a special assessment of any kind fail to pay. He pointed out that unpaid special assessments go to the county and the county reimburses the city, just like they do for taxes. They have the same lien as taxes do.

Mr. Bendzinski pointed out that the special assessments are in equal amounts to the amounts of the bonds, so the City is not on the hook for any additional moneys.

Mr. Martinbianco asked for further clarification on the $300,000 savings in interest rates.

Mr. Neiman said this is in relation to the national bond buyer index, which is currently at 4.50% for 20 years. We calculated it on a 15-year basis, giving a market rate of 3.50%. That gives you roughly 1% or $300,000 savings in interest rates.

Mr. Martinbianco asked what interest rates had been calculated for the Pebble Creek special assessment project.

Mr. Becker said the rate was estimated at 5% for 10 to 12 months.

Mr. Martinbianco said we were about another percentage point less from that original estimate.

Mr. Becker said the assessed rate is about 1% higher than the actual bond rate, so we will be passing on 4.2% to the district.

Mr. Neiman said that is permitted by statue. Act 34 allows communities to charge 1% of the difference between what you pay for the bonds and what you assess. Every community charges this amount.

Mr. Bendzinski pointed out that this is for cash flow reasons so you can make the bond payouts. This is not an administrative charge.

Mr. Becker said we would possibly have some additional capitalized dollars that will be available to limit any kind of subsidies the City would have to put forth, at least on those smaller districts.

COUNCIL ACTION:

Cross moved and Bement seconded the following motion:

1. Approve and authorize the sale of the low bid for the $480,000.00 Limited Tax Bonds, Series 2003 A, for various paving improvements for Special Assessment Districts P-00-3 Brabbs; P-99-1 Nelson Ct.; P-02-2 Pratt and Wagner Avenues and the $2,965,000.00 Limited Tax Bonds, Series 2003 B, for various Public improvements for Special Assessment Districts: P-03-1, SS-03-1 and W-03-1Pebble Creek, to Comerica Securities with an effective interest rate of 3.29221%.

Motion carried 6-0.

Meeting Adjourned at 5:50 P.M.

Gayle Webster
Burton City Clerk

GW/cml