CITY OF BURTON
FINANCE SUB-COMMITTEE MEETING MINUTES
OCTOBER 26, 2011, 3:30 P.M., COUNCIL CHAMBERS
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Chairman Tom Martinbianco called the meeting to order at 3:40 p.m.
MEMBERS PRESENT: Martinbianco, Smith and Wells.

MEMBERS ABSENT: None.

OTHERS PRESENT: G. Burke-Miller, Controller and M. Snow, Clerk's Office.

PURPOSE OF THE MEETING: Discussion and possible recommendation regarding the following:

1. **Refunding Bond Issue for the Water Fund Revenue Bonds, Series 1998.**

2. **Refunding Bond Issue for the Building Authority Bonds, Series 2002.**

PRESENTATION:

Bobby Bendzinski explained there has been an offer of private placement made, which would allow the City to refinance at a lower interest rate. With a refunding bond issue, you have to buy State and local government securities until the call date of the bonds. The Water Fund had bonds outstanding in the amount of over 1 million dollars. If rates do not change the savings to the City would be approximately $117,000, over the life of the loan and return to the Water Fund. The City Council would simply adopt a Resolution approving this transaction. He has plugged in $30,000 for the cost of issuance and said if the market crashes after this transaction the City owes the professionals nothing.

Mr. Martinbianco said it almost sounds as if we are prepaying $60,000 under the $120,000.

Mr. Bendzinski said to purchase the "SLUGS" we need $1,544,862.58 because interest rates are so low. We would save approximately $10,000 in the water and sewer system per year. It will cost the City $41,700 for the professionals and the placement. The interest rate on the old bonds ranges from 4.8% to 5.1%.

Mr. Smith asked what the downside of this would be.

Mr. Bendzinski could not think of a downside but suggested the City have a number in mind they want to meet in order for this to be worthwhile.

Mrs. Burke-Miller said this is a no-brainer. We'd be turning down money the City could use.

Mr. Wells asked if we could refinance the City properties and Mr. Bendzinski said we cannot.

Mr. Martinbianco asked given the state of the condition of the water system in the south end, in reference to these bonds would that put us in a different category if we had to go out for work.

Mr. Bendzinski assured him this is not the case. The bond rating will tolerate the change.

Mr. Bendzinski said in 2002 the enactment of the Revised Municipal Finance Act the Building Authority can be abolished by the issuance of bonds provided you take out all the outstanding bonds. This is the only outstanding bond through the Building Authority. We can refinance this by having the City issue bonds. In a report, the 2013 maturity was overlooked, which produces a $306.00 loss. The savings hits the General Fund and would save $65,000 overall. He suggested not doing this transaction much less than 5%. If $6,500 a year to the General Fund means something then go ahead. He recommended doing this through the City and eliminate the Building Authority since there is no need for it.

AUDIENCE PARTICIPATION: None.

COMMITTEE DISCUSSION:

Mr. Wells asked if this is something institutions often did.

Mr. Bendzinski said it's been done since the mid eighties.

Mr. Martinbianco said if we choose to do a City issue we could do them both. He'd like to see $100,000 in the Water Bond and $60,00 for the Building Authority Bond otherwise this will be for nothing.

COMMITTEE RECOMMENDATIONS:

Wells moved and Smith seconded to send the refunding bond issues for the Water Fund Revenue Bond Series 1998 and Refunding Bond Issue for the Building Authority Bonds, Series 2002 to the City Council for approval. Motion carried 3-0.

Meeting adjourned at 4:20 p.m.
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