

**CITY OF ALAMOGORDO, NEW MEXICO
CITY COMMISSION SPECIAL MEETING MINUTES
FIRE STATION NO. 5 CONFERENCE ROOM
WEDNESDAY, JUNE 9, 2004 AT 2:00 P.M.**

**MAYOR DON CARROLL
MAYOR PRO-TEM RON GRIGGS
COMMISSIONER INEZ MONCADA
COMMISSIONER DON COOPER
COMMISSIONER ED COLE**

**COMMISSIONER JOHN ROBERTSON
COMMISSIONER MARION LEDFORD
CITY MANAGER PAT McCOURT
CITY ATTORNEY KEN McDANIEL
CITY CLERK ANGIE RAHN-BROYLES
FINANCE DIRECTOR LEEANN NICHOLS**

Call Meeting to Order and Roll Call.

The meeting was called to order at 2:00 p.m. Mayor Don Carroll and Commissioner Inez Moncada were absent.

Mr. McCourt said the purpose of today's meeting was because of the considerable questions about how we might want to structure the proposed refunding of the 1996 Gross Receipts Tax issue. We could lengthen the proposed term, we could shorten the term, refund a portion of it to just refund existing outstanding debt, or raise additional new capital monies through different financing options.

Mayor Pro-Tem Griggs said we had to be aware of the fact that we may need money for flood control, and we possibly needed monies for additional things like the Golf Course and other major capital improvements.

Mr. McCourt clarified that today's meeting was just for additional information. If we only and solely refunded the outstanding balance of the '96 Gross Receipt Tax fund balance, we could realize direct savings because of the difference in the interest rates on the outstanding issues versus what we could issue bonds for today. So we could realize an immediate savings, raising no new money, and just refunding the outstanding issue. We also discussed that when we did that, the potential was available to also at the same time look at our future revenue stream from the gross receipts. If we wished, we would be able to raise new money to do other projects throughout the City. Some of those previously discussed were putting a portion towards the flood control project and the Golf Course Club House. It could also conceivably be put toward road projects, though when discussed last, his impression was that the Commission was not interested in these road projects. This Series, as well as the last ones we'd refunded were what he would call quality of life type projects. It was his impression that was where the Commission basically wanted to keep the money focused. Commissioner Cole thought they *had* to do flood control. Mr. McCourt said no, but it would certainly make it more feasible to continue the project by putting a portion of it towards flood control. If we didn't do it here and continued the project, the only place we could raise the money would be in Fund 42. That money was already dedicated for some flood control bonds, and we also used it for our regular street maintenance program. So as we tapped that source, it would dry up our ability to use it for street maintenance. Staff's recommendation was that we use a portion of this '96 Gross Receipt Tax bond for our portion of the flood control project.

Commissioner Robertson said we still had \$1.2 million sitting in the '94 Gross Receipt Tax refunding we did last year. He thought the discussion had been to use that \$1.2 million to pay for the flood control because it could only be held for so long before we spent it. Mr. McCourt

said that was correct. That way anything we raised here could be devoted to other projects if the Commission so chose. They had the flexibility in that issue to do it because we did name it for flood control.

Mayor Pro-Tem Griggs believed that because the bond revenue was sitting in the bank drawing next to no interest, and it was paying more interest than that, it then took away some of the urgency to spend it. The other deal was when we got the bond and put it in the bank, you could make more money off the bond proceeds than what you were paying in interest, known as arbitrage. Mr. Kevin Powers, RBC Dain Rauscher, said on the bond where the proceeds were still in the acquisition fund, the average rate on that bond was somewhere around 3 3/4ths percent. They probably weren't anywhere near that on the proceeds, so it was referred to as a negative arbitrage situation. Our Federal Tax Law allowed a three-year temporary, which was a period where you could actually earn more interest than you paid. Once you got outside of that three year period, then you were restricted to the yield on the bonds. The three year period began on October 29, 2002, so the temporary period would be until October 29, 2005. If interest rates went up as predicted, and particularly in the short end where the return on the investments would go up, it was still not likely to get to the 3 3/4ths interest rate. So the City was probably okay on that from an arbitrage standpoint; but from a practical standpoint, it would certainly make sense to spend that money sooner rather than later. Mayor Pro-Tem Griggs didn't think there was going to be any disagreement.

Mr. Powers said in 2002 we had a similar situation to today. We had a 1994 bond issue which could be refinanced and the City could actually add some new money to it at the time. Here we are in 2004 with a 1996 bond issue and the ability to refinance and restructure it slightly to allow the City to add some new money to the borrowing. Interest rates were not quite as good today as they were in 2002, but they were certainly better than they'd been on average over the last ten years. So certainly the rates were much lower than they were back in 1994 and 1996 when these original bonds were sold.

Mr. Powers said the most important feature of the 1996 bonds was that they were callable with no penalty beginning June 1st of this year. The principal was paid each year on June 1st. There was \$1,815,000 that were currently callable, and they had a final maturity as they stood now of June 1, 2009. So if the City did nothing at all, they would be fully paid off in 2009. The average annual debt service on this bond issue was approximately \$424,000 per year. When this transaction was combined with the 2002 transaction, the total debt service paid from this source was approximately \$1,130,000 annually. Both bonds were payable from that Gross Receipt Tax increment.

Mr. Powers said there was no right or wrong answer on this issue. It was trying to strike a balance between what the City needed today and what it might need down the road. Keep in mind that when the original bonds were issued in 1996, the City had needs which it addressed. Even though these bonds ran out to 2009, the City had the ability today to do some restructuring and issue some more bonds prior to everything being paid off totally. He thought everyone would agree that it was a good thing to have flexibility in the future to be able to come back and do this again some time in the future. In terms of structuring this 2004 financing which would restructure the 1996 funds and add the new money, some of the decisions made today would have an impact on what the City could do down the road. Mayor Pro-Tem Griggs said flexibility was very important, and the interest rates today were the other driving factor. Mr. Powers said they would be taking advantage of some of the lowest interest rates in 40 years, so it was an opportune time to borrow. What he was saying was that there was an offset to almost everything. You could borrow more money today and pay it off over a longer period of time.

What that meant was the benefit today of low interest rates, but the City would basically be bonded to capacity for a fairly long period of time and there wouldn't be additional borrowings staying within the constraints of the revenue stream. Or, the City could borrow less today, provide more flexibility in the future, but then they were at risk in terms of what interest rates were doing. There was a positive and negative to both, and the Commission just needed to try and make a decision based on the best information.

Mr. Powers said there were some different scenarios which had different amounts of money, and he felt it represented a fairly good spectrum of options. The first scenario was to refinance the 1996 bonds and provide about \$3 million of new money for projects. None of these options would require the City to pay more than \$1,130,000 in annual debt service payments. That was about equal to what the City was paying now.

Commissioner Ledford said \$3 million was a lot more than what they'd previously talked about. They'd estimated before that they could get another \$2 million, and now it was \$3 million. Mr. Powers said they had a \$2.5 million one at one time, but actually rates had crept up some. He'd been monitoring this one for the City since the '94 bond was reissued. On May 13th he had provided something which had a \$2.5 million option, and then he was pushing to get the \$3 million. That was because interest rates had jumped and kind of over corrected. The markets realized that the party was finally over on low interest rates, and it kind of overreacted and over corrected, and we'd had a correction back to something which was more closely approximate of what the reality was. So there was a scenario with \$3 million of new money. The final maturity on the new bonds would be fifteen years from today. He was trying not to go too far out into the future and rack up a lot of interest costs by keeping the bonds at that fifteen year final maturity. However, they could go out longer and he'd done a scenario in the package to show what the interest cost differential was on keeping it short versus going out longer.

Mr. Powers said one thing we'd tried to do was to keep the present value saving for the refinancing at 3 percent or better. That was a benchmark used in finance business. The savings from the refinancing would be at least 3 percent of the amount we were refinancing on a present value basis. In the first scenario he'd tried to minimize the extension of the refunding debt. When restructuring the 1996 bond issue, they would actually be stretching it out a year to provide the ability to come in and issue more bonds, keeping the total payment the same. We could do that successfully because interest rates were so much lower than they were in 1996; you could actually stretch out the payment a little bit and still pay less because the rates were so much lower. But we wanted to try and minimize the amount of time we stretched that out. The final maturity on the 1996 bonds was 2009, and we didn't want to go out to 2015 or 2020 because there were projects in there done back in 1996. Pushing it out that far was the equivalent of financing that originally with a 25 year bond issue. Mr. McCourt said if we were only doing the refinancing, then that made sense. However, we were raising new money also. Mr. Powers said he wanted to show how that worked because there was another option to that.

Mr. Powers reviewed the aggregate debt service prior to refunding of Series 1996 bonds, as outlined under the first option in the backup provided. There was \$1,815,000 outstanding. The interest due on all of that debt was about \$413,000. We could accomplish refinancing and adding \$3 million of new money, and we wound up with the middle section. The 2002 bonds were unchanged, and the 2004 bonds were then issued with a final maturity of 2019, and principal and interest payments resulted in an approximate \$1,130,000 annual payment. That \$1,130,000 went out roughly to 2017 on a level basis and then dropped off in 2018 and 2019. Mayor Pro-Tem Griggs asked if this was still accurate if the City had made that 2004 payment? Mr. Powers said yes. So what you ended up with was \$3 million of new money, and instead of

having \$2,130,000 in principal, you had \$4,905,000 of principal and \$1,634,000 of interest. So the interest cost had gone up by \$1,200,000 over the life. Those were two areas that needed to be compared. There was one factor which needed to be brought up, and that was that the 1996 bonds had a debt service reserve fund which had to be funded when the bonds were issued. Since 1996 we'd gotten to the point where the bonds could be issued without that reserve fund. So what we did was to take it and plow it into the refunding and pay off some of this debt, thereby freeing up some funds. They liquidated that reserve and when the refinancing was done, the reserve fund was used to pay down the debt and it basically came back to the City in that \$3 million. Part of the \$3 million the City got was because the debt service reserve was being liquidated.

Commissioner Ledford asked how accurate the coupon rate was? Mr. Powers said accurate as of yesterday, based on actual market conditions. His company had actually issued some bonds for Los Alamos today, but Alamogordo's bonds would actually sell a little better because they could be sold as bank qualified with a little lower interest rate. Commissioner Ledford asked how long these figures were good for; how much time did we have? Mr. Powers said the market seemed to be stable right now at the levels we were at. We had these really, really low rates, and then we had this correction which was very swift, quick, and big. The market had now kind of settled down to the point where we had daily fluctuation, but we didn't have any real trends going on right now. These rates were probably good until we got another indication in the market from economic news that something else was going to happen. The market had built in about a 50 basis point move. Commissioner Ledford asked if between now and the time we could get our money, if Mr. Powers felt this was pretty accurate? Mr. Powers said yes. What we were looking at now was to have a financing delivered to the City on July 12th. The money wouldn't come through until August, but on July 12th all the terms and conditions and rates could be locked in at that time. The exposure was about 30 days, so if the market could hold in there another 30 days, we'd be in good shape. Typically the market didn't move a lot in the early part of the summer. Sometimes it would fade in the late summer, but the big market moves usually came in the fall after Labor Day.

Mr. Powers said in the bottom panel on page 1 of Option 1, the Series 2002 should actually say 1996 Refunding. That column showed the portion of the new bonds which would be going to pay off the 1996 bonds. What was left was the new money, which was \$3,120,000, and that covered cost of issuance, etc. This was actually called a classic wrap-around scenario where a new money loan was actually wrapped around an existing loan. To refund the 1996 bonds, we would issue \$1,470,000 of new bonds, and then take the \$391,5000 reserve fund, which gave us total sources of funds at \$1,861,500. From that source of funds, we had an underwriter's discount. All the cost of issuance was associated to the new money. The premium on the bond insurance and the deposit was associated to the escrow fund. The funds to actually pay off the bonds in August was \$1,831,059. They had arrived at a net present value savings of 3.34 percent, or in dollar terms it was \$60,000. So by doing the refinancing, in today's dollars the City would actually save \$60,000 in interest costs after all expenses. If the City was just to refinance this and not go out for any new money, the savings wouldn't be that good because they would only be spreading the cost over a \$1,470,00 deal instead of a \$4,590,000 deal.

Mr. Powers said when all costs were rolled into it, the cost of issuance of that money was about 4.7 percent. The average coupon was just about 4 ¼ percent. These bonds would most likely be callable around eight or nine years out. Commissioner Ledford said assuming that didn't happen, another reason would be if the City wanted more money, even though it was a higher rate, the Commission would have the opportunity to do that. Mayor Pro-Tem Griggs said the amount of money to be raised would be pretty small. Commissioner Ledford didn't think it would

be a very good deal. Mr. Powers said the best thing which could happen would be for the gross receipt tax base to expand, and that increment would be higher. Commissioner Ledford said we could do a new issue there and not bother this. Mr. Powers said that was correct.

Mr. Powers said the 2002 bonds were callable in 2011, so in 2011 there was restructuring capability on the 2002's. Commissioner Cole asked where the \$3 million figure originally came from? Mr. McCourt said that was because we'd looked at how much new money could be raised, and we kept the criteria of a 15-year maturity on it and keeping the debt service essentially level. Mr. Powers said he'd actually run about 25 different scenarios. He didn't want to bring all of that material to the Commission because it was just mind boggling the different ways this could be done. There was really no right or wrong way to do this, but he had just tried to condense it down to some distinct possibilities. If there was something else someone felt was beneficial, he could certainly provide the detailed numbers.

Mayor Pro-Tem Griggs said his concern about whatever we did was that we are probably now at the bottom of the market as far as rates go. It was mentioned that these could be callable down the road in a few years, but if rates were higher then it made it pretty much impractical to do or made it a bad decision unless you absolutely had to have the money. His thought was that right now this might be the optimum time to borrow and maximize as much money as we could today. If Gross Receipts went up in later time, then we could conceivably borrow against that if we wanted to bond again. He knew that in some ways it took flexibility away from future Commissions, but future Commissions weren't sitting here at the rates we saw today. His thought was that we get as much money today as possible, even if we had to extend the term a little bit.

Mr. Powers said if the bonds were issued today and we got to the call date eight years from now, if interest rates were exactly the same place then as they are today, we could still refinance that with an economic gain. The reason for that was that we'd moved down the curve. So all of a sudden the bonds issued today which were 10-year bonds, were now 1-year bonds. So if the yield curve was 150 to 200 basis points, the City would get the benefit of moving that debt up the curve. He had looked at other options which would get the City more money than \$3 million with minimal disruptions.

Commissioner Robertson asked the present rates we were looking at redoing this with? Mr. McCourt said they were a little over 5 percent. Mr. Powers said that was roughly a 5 ¼ percent rate with five years left. Mr. McCourt said regarding the rate on each of the year's bonds as they matured, if they looked down at 2019, for those monies being borrowed the City would be paying 4.62 percent interest. Mr. Powers said they had a five year life on the bonds they were funding out, and they were extending the six year bonds, but they were taking a 5 ¼ percent rate and replacing it with a six year bond issue at something a little less than 3 percent. So there was a 2 ¼ percent benefit there even though it was being extended a year, and that was why the refinancing made sense. Then you had to separate the six year deal with the new money borrowing, but because we were wrapping it around the refinancing, the average life on the new bonds was longer than it would be if we'd just done a level service bond issue because we paid primarily interest only for the first few years the refunding bonds were outstanding.

Mr. McCourt recapped Option 2 as provided. He stated we would still be keeping the 15-year maturity and would still be getting the present value savings on the refunding issue. It looked like the proposal was that in 2018 and 2019 we bump up the principal payments. By doing that it meant we borrowed more money initially, so it gave us more money. Of course the interest rate would then climb because the money was borrowed way out in the future at the higher

rates. Mr. Powers said they wouldn't be paying it down until 2018 and 2019, which was interest on it for thirteen years without any principal amounts. Mr. McCourt said under this scenario we would produce approximately \$3,300,000 in real money as opposed to \$3 million. It was another ten percent of real money available, but if carried to full term, the amount of interest on them became \$1,684,000 versus \$1,300,000 for the first option. Mr. Powers said you basically added \$300,000 worth of interest payments to get \$300,000 worth of principal. So the total payment went up by \$600,000, but you got more money right now. Another thing to keep in mind was if you were building construction projects, you could build them today with a lot less money than you would be able to build them five to ten years down the road. Commissioner Ledford said we needed to make sure the ICIP supported what we wanted to spend.

Mr. McCourt said in Option 3 we had kept the 15-year maturity, kept the 3 percent savings, and under this scenario the principal payments will be increased to \$730,000 and \$765,000 in 2018 and 2019. That meant we now raised \$3,544,000, but our interest payment over the life of the bond went up to \$1.8 million, as opposed to \$1.3 million from the original scenario, and \$1.6 from the second scenario.

Mr. McCourt said under Scenario 4 we now went to a 20-year maturity. We kept the present value savings the same, and the net effect was that we actually raised a little less new money than we did under the 15-year one. Mr. Powers said the problem you ran into when you extended was you were paying more interest. There was a brick wall here, so to speak. With the refunding of the 1996 bonds, if they put anymore new money into it, we'd have higher interest costs in there which meant we'd have to push principal out on the refunding in order to make it all stay within the amount of money we had to spend on an annual basis. Commissioner Ledford said if you were paying the higher rate, obviously the cost was in the later years, so much so that it took away the benefit in the shorter years. Mr. Powers said if we were to refinance and stretch out the 2004 bonds that refinanced the 1996 bonds to let them go to 2011, then instead of this 3.48 percent for a coupon, you'd have a 3.66 percent. So the interest cost went higher but it would free up space for more interest. The problem was, though, that you would start to harm your refinancing because you were paying interest on interest.

Commissioner Ledford asked if there were any better numbers if we went with something between 15 and 20 years? What if we went 16 years? Mr. Powers said he could produce numbers for anything, but they needed to understand the relationship. Once you went from 15 to 20 years, then you really started to pile interest in there. If you identified projects and needed another \$200,000, we probably could squeeze something more out of it. However, once we got past that point it would really start to stress it. In his opinion with the rates as low as they were, he would recommend people look at going longer rather than shorter. What had benefited the City in the past was the fact that the principal had been paid down fairly rapidly. Because of that, it had allowed the City to come back and issue more bonds in the future. If the City needed \$3.6 million, there was probably a way to get that by going out further. However, when you went out that far, the interest would kill you. On the 2024 deal where the City would get \$3.35 million, the total interest payment on that was almost \$2.1 million. However, when you looked at the total interest payments on the 15-year deal, the total interest payments would be \$1.8 million.

Commissioner Ledford said the cost of construction today versus eight years from now was so different that these rates were more than paid for. Therefore, we might just as well do the projects now. We would cut the construction costs, and interest rates were probably only going to go up in the future.

Mr. Powers said if they took Scenario 3 out another 6 months, they could probably free up another \$40,000 per year for interest, so they could probably squeeze up into \$3.75 million. Commissioner Ledford said the argument someone might have against doing this maximum amount would be that it would be controlling future Commissions. By not doing that it did help the future because we did have a 2002 bond they would be able to refinance, and also, we would hopefully increase our gross receipt tax base, so the \$1,130,000 more than likely would grow to \$1.5 million potential. Mr. McCourt said this year the gross receipts tax base had grown pretty substantially, but the last few years had been pretty flat. Mr. Powers said the gross receipts taxes for 1999 were \$5,147,000, then it went to \$5,169,000, then it dropped to \$5,126,000, then to \$5,286,000. So it had been fairly flat over that four year period of 1999 to 2002. The numbers for 2003 and 2004 were better.

Mr. Powers said what we might want to look at was a scenario between the 20-year and the 15-year. For instance, under Scenario 3, the City would be cruising along with \$430,000 per year payments on that until they got to 2018, and then it dropped to \$800,000. The total was only \$800,000 then because the 2002 went away, but what we might look at doing was trying to split the difference. Get it back to \$400,000 rather than what we did under Scenario 4 where we went out longer at a lower level of \$300,000. So it might get to the point where instead of having a 15-year bond issue we had a 17-year bond issue and those payments were down around \$400,000. You still had plenty of room to work in there between the \$1,130,000 and the \$800,000 to issue additional debt.

Commissioner Ledford felt the question here was how much money we wanted today. Did we need \$3.8 million? What was the realistic recommendation of that from staff?

Mr. McCourt relayed a statement from Mayor Carroll. His statement was that he would not want to refund just to get to a dollar amount; he would want to know what we were going to use this for. Mr. McCourt said that was especially pertinent because this would require six votes to be approved. There was a \$50 million list, and at last night's meeting the Commission essentially told staff to come up with a specific plan for routing a road. That specific plan would cost approximately \$50,000. Then they talked about acquiring the right-of-way through the private property there. Just last night the Commission essentially gave staff new projects that weren't even in the ICIP and which he understood they wanted pursued rapidly, which weren't even in the approved budget and which he didn't have any funding source for. If that was a top priority project, then they were already looking at approximately \$200,000 for that. Commissioner Robertson said that wasn't put up to be done now; it was done so that a future Commission could route it wherever they wanted it. Mr. McCourt said he may have misunderstood, but he felt it was pretty clear that the Commission wanted it done fairly rapidly.

Mr. McCourt said we needed to give direction on how much money we wanted so Mr. Powers could prepare the documents quickly. Ms. Nichols said he also needed to know how to write the purpose of the bonds. Mr. Powers said the Ordinance adopted on July 13th did require six votes, and that Ordinance would have to have language in it which would allow for the projects. So the statutory language was fairly broad and he'd started with something which he felt included many of the types of projects that the City might have. We could make it fairly general, but nonetheless, it had to be in the purpose or else the monies couldn't be used for that. Mayor Pro-Tem Griggs asked if we were broad in the last time it was written? Mr. McCourt said yes.

Mayor Pro-Tem Griggs said with \$2.2 million for the Club House, \$1 million for the Library, and \$1.5 million for flood control, then you were at \$4.7 million. There were also some parks which needed some things as well, so if we could get it to \$5 million, then we could spend it on some

very good projects which would be beneficial to the community. Commissioner Cole agreed, but said he was going to look very carefully if we got to beyond 15 or 16 years. Mayor Pro-Tem Griggs said he did need to look very carefully, but also on costs of construction and other issues that affected this, especially knowing that rates would do no better than stay the same. More than likely rates would be higher down the road so the cost of borrowing it would be higher and it would be much more difficult to do what they wanted. We knew we had these projects which we could do today, and he felt we would be remiss in not taking advantage of the opportunity we had. Commissioner Cole said he really needed to look at this to make sure that the length of time would provide the type of funds that would be okay. Commissioner Ledford said the problem was that we didn't know what would be happening ten to fifteen years down the road. That was why he was saying that we had \$5 million worth of projects today that were just as important as anything that would come up five years from now.

Mr. McCourt said all of these scenarios had been predicated on keeping the debt service at approximately \$1.1 million, and staff strongly supported that. We had major changes in gross receipts going on from the medical services loss and the food tax.

Commissioner Ledford asked what the time frame was which would give us the maximum return? Mr. Powers said to get the \$3.8 million, it would probably take about another year to do that. The interest part of it could be taken care of if they would just add on another year to 2020. The difference between Scenario 3 and doing that was fairly minimal, and it didn't require any huge difference in documentation. That decision didn't need to be made right now, but in going to the rating agencies and getting all the insureds, he had to show them pretty close to what the end product was. Keep in mind that this was very interest rate sensitive. If interest rates went up by 15 basis points, the amount of proceeds came down. He thought what he heard the Commission saying was that if there was any way to squeeze some more out of it to get up to that level without taking it on out to infinity...

Mayor Pro-Tem Griggs said there seemed to be a little concern about the projects. He felt whether we had \$4.5 million or \$5 million, we had projects listed out there and we had a four-year period to initiate them as well. We had a period of time greater than three years anyway, and he felt we had enough projects that we could start on them right away. He would like to see us maximize the amount of revenue, and then if we wanted to have serious discussions on the projects, we could do that later.

Commissioner Cooper felt if we could go with Scenario 3, we could squeeze out \$3.8 million and go an extra six months or so to do it. Mayor Pro-Tem Griggs said Mr. Powers had stated that stretching it out an extra year might be what they needed to do. Commissioner Cole said he had no problem with any of that. Commissioner Ledford felt it was fiscally responsible because we would be keeping the payments where we felt comfortable.

Commissioner Cole said Mr. Powers would need to prove to him what was best for the City financially. He assumed Mr. Powers would tell us if we got over the line or if we stayed below the line and would be okay. Mr. Powers said he didn't think anything we'd talked about today would put the City "out there" or could be considered reckless. Remember that DFA had to approve the refunding, and they tended to get a little bit nervous when somebody took a bond issue that had five years to go and restructured it into a ten year deal. They probably wouldn't approve something like that. However, going out an extra six months or a year on this deal and with the present value on it, he didn't think DFA would have a problem with it at all. The money would be borrowed at an effective rate of 4 percent roughly. The money was really being paid back with inflated dollars, so if they brought it all back to today, it was like paying cash. Prudent

management was borrowing the long term money at low rates and paying it back with inflated dollars.

Mr. McCourt said according to the proposed time line, this would essentially come back to the Commission for first reading on June 22nd, and it would be placed for a public hearing on July 13th. Mr. Powers said the Ordinance which went before them on June 22nd didn't have to be in final form and could be tweaked before July 13th. The Ordinance would basically say the City was going to refinance the 1996's, would add a new money maximum amount, and it would have the purposes listed which should include all the conceivable projects. There was statutory and constitutional language used which came right out of the Statute that allowed the City to issue the Gross Receipt Tax Bonds.

Mr. Powers recommended that on the first reading if there wasn't a fairly high comfort level of getting six votes on July 13th, that the City speak up at that time and say so. Once the finance group went to the 12th of July and marketed the bonds with the assumption that there would be six votes on the 13th of July, then it would be a damaging situation for the City if in fact they couldn't get the six votes.

Commissioner Ledford clarified that under the current economic climate, what we talked about here made good sense to do to the maximum if for sure we had the projects to spend the money. Inflation, construction costs, and interest rates were a pretty good combination of reasons. Mr. Powers said it was a confluence of positive factors. Commissioner Cole said he agreed, but he was just real concerned on the financial aspect of the length. Mr. Powers said we could look at stretching out that refinancing and try to push it through the State, and we could probably go out and issue 25-year Sales Tax Bonds that would get more money; however, doing that would probably have a negative impact on the City's rating, and it would probably be more difficult to insure. It probably could be done, but he wouldn't recommend it because it would definitely really be pushing the envelope. If we got the maximum amount regardless, it could be done but the cost would be damaging to the City.

Mr. Powers felt the proposal discussed tonight was a prudent plan which maximized the revenue while staying within the perimeters the City had been operating under for some time. It took advantage of the market rates. Mayor Pro-Tem Griggs reiterated that they were looking at Option 3, the 15-year option, and trying to increase that to 16 or 17 years to raise our total monies to about \$5 million, which was the \$1.3 plus the \$3,750,000 to \$3,800,000. Mr. Powers said that was still within the lines. To do that, instead of having the refunding bonds all paid off in 2010, it would push out into 2011. But that should not push the savings number below 3 percent. If the debt were to be extended by 50 percent in years and it came in with less than 3 percent present value savings, it would be a tough sell to DFA.

Mr. Paul Banse said he was not opposed to the money and he wasn't going to argue about which projects it be spent on, but could we please have a better presentation than we had last night to leave no doubt in anybody's mind--when on making payments, gross receipts would not be raised. He understood it, but there would be somebody out there that would doubt them. Last night there was so much doubt where we were going with this, even in his mind and he'd been sitting there for three years. Mayor Pro-Tem Griggs felt that was easy enough to show, and Mr. Powers had all the options outlined.

The meeting was adjourned at 3:40 p.m.

/s/Donald E. Carroll

Mayor Donald E. Carroll

ATTEST:

/s/Angie Rahn-Broyles

City Clerk Angie J. Rahn-Broyles
(SEAL)

(Prepared by Teresa Y. Gutierrez)

Approved at the City Commission Regular Meeting of July 13, 2004.