

**CANBY CITY COUNCIL
SPECIAL MEETING
NOVEMBER 12, 1992**

Mayor Shawn P. Carroll presiding. Council members present: Scott Taylor, Maureen Miltenberger, Terry Prince (Mr. Prince arrived at 7:36 p.m.), Walt Daniels and Robert Smith. Absent: Keith Stiglbauer.

Also present: Public Works Director Rusty Klem, City Treasurer Virginia Biddle, Cheryl Stark, Dick Roberts and Carol Samuels.

Mayor Carroll called the special session to order at 7:32 p.m.

Roll call showed a quorum to be present.

Resolution No. 521 - Mrs. Biddle introduced Bond Counsel, Dick Roberts and Carol Samuels, who reviewed the process for selling the proposed sewer bonds.

Carol Samuels informed the Council that the interest rates were set today and there was a good deal of interest. She noted that the timing was good, in reference to the rates, and there seemed to be a lot of competition at this time.

Ms. Samuel referred to our annual debt service, saying that they had first assumed that our annual debt service would be \$25,000 higher than the projected \$324,843.75.

In reference to the bond insurance, she explained that our annual debt service would have been about \$15,000 a year higher if we had not opted for the bond insurance.

Ms. Samuels reviewed some other bonds throughout the state that have sold in the past two weeks and again showed how well Canby fared with the insurance. The interest rate is 6.38% over a 25 year period.

Ms. Samuels referred to a chart displaying the national market and said Oregon is unique due to the high income taxes there is a lot of interest in buying bonds as a tax benefit. Oregon has a better yield than national issues.

A couple of articles regarding municipal bonds were included for the Council to learn what is happening in the market.

Councilman Prince reviewed the interest payment dates for clarification. Also, he asked if the paying agent was First Interstate Bank and was told, yes.

Councilman Prince asked if DEQ had a secondary position on the revenues. Dick Roberts explained that was part of the delay. First was getting a commitment from the insurance company; and secondly DEQ has been very cooperative and have agreed to negotiate and execute an agreement. DEQ has now asked for a parity position, an equal claim on the revenues. Mr. Roberts noted that between now and November 25th, when this issue closes, an agreement should be finalized with DEQ.

Councilman Prince asked about the annual reserve account. Ms. Samuels said the purpose of the reserve fund is to give the City some extra security for investors and must be maintained throughout the life of the bonds. Mr. Roberts noted that the use of funds are covered in section 10 of Resolution No. 521

Councilman Daniels asked bond counsel to explain Rate Stabilization Account in section 18 of the resolution. Ms. Samuels explained this account has been used to keep major cyclical changes in the rates from occurring. She further explained that in order to maintain the 125% coverage ratio, we might have to raise rates very high for a short period to offset an unforeseen situation and a special account can be set up after a three year period to minimize this fluctuation. The establishment of this account could prevent us from having to raise rates to cover a particular situation to meet our covered ratio rates.

Councilman Daniels asked if the bonds had been sold. Ms. Samuels said yes the bonds have been committed.

Mr. Prince asked why there were term bonds and serial bonds. Ms. Samuels said from the City's prospective, there is no difference. However, from an investor's prospective there is a slight difference and it is a marketing tool. A serial bond is a serial amount of the bonds that comes due each year. For the City's bonds, they grouped together the 2007 through 2017 maturities and called them a term bond, however, we will be redeeming a certain amount each year so the average life of that term bond is a lot shorter than the year 2017.

Councilman Daniels asked if the correct date on the bonds was November 1st, and was told yes. However, we will not start paying interest until November 25th.

Mayor Carroll asked how First Interstate became the paying agent. Ms. Samuels said they went out for bids and they were the cheapest.

Councilman Prince inquired about the "default" clause, asking if a problem occurred would it come out of the General Fund. Mr. Roberts said there is no General Fund liabilities they are paid solely from the sewer revenues.

Councilman Prince asked why the following was changed from the definitions, Section 2 to Section 9: "At least one-half of the Reserve Account, if any, shall be invested in Permitted Investments with maturities of less than six months". Mr. Roberts said that was an insurance company requirement for organizational purposes; one was a definitions and moving it to section 9, made it a requirement.

Mr. Roberts reviewed some of the requirements from the insurance policy in respect to Oregon law.

Ms. Samuels said we may want to consider investing in longer term for the reserve fund so we can make a break-even level in the yield.

Councilman Daniels asked if First Interstate would hold the Debt Fund. Ms. Samuels said no, all funds will be held by the City and five days prior to pay-out, we would transfer from the Sewer Operating Fund to the Debt Fund and First Interstate will get the money the day of the payment, making a transfer to the depository trust, and the trust transferring to the investors.

Councilman Prince asked to review the insured verses uninsured scenario. (Mr. Prince missed the first couple minutes of the meeting, so this was reviewing that portion.)

Ms. Samuels pointed out that the only other insurance company willing to consider this issue, was twice the price of the premium from the one we obtained, Capital Guaranty Insurance.

****Councilman Prince moved to adopt Resolution No. 521, A RESOLUTION OF THE CITY OF CANBY, CLACKAMAS COUNTY, OREGON, AUTHORIZING THE ISSUANCE OF SEWER REVENUE BONDS, SERIES 1992. Motion seconded by**

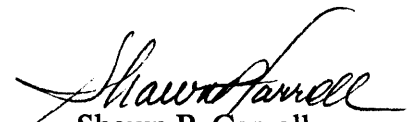
Councilman Daniels and approved 5-0.

Mayor Carroll thanked bond counsel and staff for their hard work in completing this bond issue.

Mayor Carroll asked that if any Councilor is contacted about the incident last night, have them contact Mr. Jordan.

Mayor Carroll adjourned the special session at 8:06 p.m.


Marilyn K. Perfett
City Recorder


Shawn P. Carroll
Mayor